THE Freeman

IDEAS ON LIBERTY

SEPTEMBER 1960

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Some strange paradoxes crop up, at times, in the American scene.

We are scrupulous, as a nation, to safeguard the rights of the individual in court . . . his right to worship without interference . . . his right to speak freely and openly on any issue.

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THE Freeman

A MONTHLY JOURNAL OF IDEAS ON LIBERTY

SEPTEMBER 1960 Vol. 10 No. 9

LEONARD E. READ *President*, Foundation for Economic Education

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THE FREEMAN is published monthly by the Foundation for Economic Education, Inc., a nonpolitical, nonprofit educational champion of private property, the free market, the profit and loss system, and limited government, founded in 1946, with offices at Irvington-on-Hudson, New York. Any interested person may receive its publications for the asking. The costs of Foundation projects and services, including THE FREEMAN, are met through voluntary donations. Total expenses average $12.00 a year per person on the mailing list. Donations are invited in any amount — $5.00 to $10,000 — as the means of maintaining and extending the Foundation's work.

Accepted as controlled circulation publication at Irvington, N. Y., with additional entry at New York, N. Y. Copyright, 1960, The Foundation for Economic Education, Inc. Printed in U.S.A.

Additional copies, postpaid, to one address: Single copy, 50 cents; 3 for $1.00; 25 or more, 20 cents each.

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FIVE WAYS TO NOWHERE

THOMAS W. PHELPS

FIVE ECONOMIC FALLACIES have been particularly seductive to modern man. Every Pied Piper who has led his people to ruin in the last century has played a tune on one or more of them. They are:

1. The fallacy of the ostrich
2. The fallacy of the stork
3. The fallacy of the grizzly bear
4. The fallacy of the rat
5. The fallacy of the evil heart

The fallacy of the ostrich amounts simply to this: "Ignore the problem and it will go away." It is particularly appealing after a prolonged period of prosperity when the viewers with alarm have been thoroughly discredited.

The fallacy of the stork is that a high birth rate guarantees a high level of business activity and profits. Enough babies will solve everything. Why regret that we have but one life to give for our country, when by applying ourselves we can give five or six? The fact, of course, is that unless our economic productivity increases faster than our population, our standard of living must go down, leaving us as a nation weaker, not stronger, than before.

It may help you to understand the fallacy of the grizzly bear if I tell you of one which put his left front paw in a huge trap. The trap was attached by a heavy steel chain to a big tree. Try as he would, the bear could neither pull his paw free nor break the chain. At last, exhausted by his struggles, the bear lay down to catch his breath and study the problem. A great idea dawned in his little brain. With his free paw he scraped dirt and leaves over the chain until it was entirely covered.

Mr. Phelps is a partner in Scudder, Stevens & Clark.

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Then he turned and ran, only to learn as he cracked the whip that you don't eliminate a chain of facts by hiding them.

In the world situation facing us, we resort to the fallacy of the grizzly bear when we use subsidies instead of cost cutting to move our goods, when we use tariffs and quotas instead of superior values to restrict foreign competition in our home markets. Every tariff, every subsidy, every quota adds to the cost of every other domestic producer, aggravating the basic problem of keeping our nation competitive.

When I was a boy, there was a legend that rats could suck eggs under a setting hen, leaving her to dream of chicks that were never to come from the empty shells. Inflation is the fallacy of the rat. As we sit on our money, the value is sucked out of it, leaving us to dream of things it will never buy. Money is a system of counters by which human beings keep track of what they have done for each other. Just as no problem in corporate management ever was solved by falsifying the books, so no national problems of directing investment and production to the best advantage of everyone concerned ever were or ever can be solved by coin clipping or its more sophisticated present-day inflationary descendants – printing press money and debt monetization. Something for nothing is the common denominator of all manifestations of the fallacy of the rat, whether they are called feather-bedding, soil banks, or deficit financing.

The fallacy of the evil heart is the standby of those who are goat hunting. It usually has its greatest vogue after one or another of the other fallacies, or all of them in combination, have done their dirty work. It's the fallacy that we got into the mess because bad people wanted to hurt us and that all we need to do to get out of trouble is to turn everything over to good people. Politics being what it is, the baddies, as they are called, are usually private enterprisers of one kind or another – stockbrokers, bankers, munitions makers, or big business. The goodies, of course, are in government. If the goodies just had more power to control the baddies, happy days would be here again and never, never end.

The danger in all these fallacies is that, instead of helping us to compete, they serve as painkillers for our failures. Thus, they lead backward toward economic isolationism and the substitution of political tyranny for freedom of choice.

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ARE WE CHANGING OUR CONCEPT OF GOVERNMENT?

KENNETH W. SOLLITT

THE WRITINGS and speeches of the Founders of our republic make crystal clear the fact that, to them, the primal, if not the only, function of government was to protect men in the exercise of their legitimate liberties. Probably nowhere is this better stated than in the Declaration of Independence:

We hold these truths to be self-evident; that all men are created equal; that they are endowed by their Creator with certain unalienable rights; that among these are life, liberty, and the pursuit of happiness. *That to secure these rights governments are instituted among men,* deriving their just powers from the consent of the governed . . . (emphasis added)

The Declaration goes on to say that "whenever any form of government becomes destructive of these ends, it is the right of the people to alter or abolish it." There was full recognition of the fact that not all liberties are legitimate, that men are sure to take unfair advantage of other men, if given a chance, and that even governments instituted to "secure these rights" sometimes become "destructive of these ends."

Therefore, in the writing of the Constitution, everything possible was done to protect the honest, industrious, freedom-loving American citizen from being deprived of his rights either by other citizens or by the government itself.

A limited government of checks and balances was set up, and almost before the ink was dry on the Constitution proper, a Bill of Rights was added to it as a resounding exclamation point to emphasize the fact that our Found-

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ing Fathers were determined that every citizen should be protected in the exercise of his legitimate liberties. Powers not specifically mentioned in the Constitution were reserved to the states and to the individuals who compose those states. America was to be a land where people could do as they pleased so long as what they pleased to do did not interfere with their neighbor's equal right.

For more than a century and a half "freedom" was the central idea in the American dream and the big word in our language. We even justified our wars by appeals, sometimes specious, to freedom slogans.

We sang about "the land of the free and the home of the brave." We praised America as the "sweet land of liberty." We bought "liberty" bonds and talked about helping to build a "free" world.

The New Deal

Then came the 1930's. There was depression, widespread unemployment, and untold misery. Opinions differ as to the cause which produced these conditions. Suffice it to say at this point in our discussion that this was the case. Thoughts of freedom gave place to thoughts of keeping body and soul together. Franklin Delano Roosevelt was elected President of the United States.

There was so much to be done that our new President was granted emergency powers, in addition to which he exercised powers that were not granted. He instituted programs which were later declared unconstitutional. Congress was bypassed. The Constitution was circumvented. But important things were being done in behalf of the needy and the unemployed. *And people seemed to show every promise of voting for more and more of the same.*

In 1938 Mr. Roosevelt wrote a statement which should be compared with the quotation from the Declaration of Independence given earlier in this article. Mr. Roosevelt said:

> Government has the definite duty to use all its powers and resources to meet new social problems with new social controls. (*Introduction to Public Papers and Addresses,* 1941)

This he justified on the pseudo-logical grounds that it was "to insure the average person the right to his own economic and political life, liberty, and the pursuit of happiness."

Unfortunately, this lip-service to the Declaration of Independence kept people from seeing that political liberty and social control are opposites – that you can't protect man in the exercise of his legitimate liberties by imposing on him

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controls which destroy those liberties.

But it sounded good, especially when Mr. Roosevelt said it, and patriotic Americans were all for anything that would guarantee people's rights, as Mr. Roosevelt said the imposition of these social controls would do. So we launched on an era of social control utterly new to Americans. After all, in 1933 we were still a freedom-loving people.

Thus began the phenomenal growth of our government with its added controls and services, and, of course, taxes to enforce these controls and extend these services. After NRA, WPA, and PWA came OPA and OPS, and we floundered in a veritable sea of alphabet soup from which we have never emerged. All kinds of bureaus, administrations, plans, programs, controls, supports, subsidies, etc., have come into being designed to help those who needed help, and all kinds of people who never used to need help are suddenly found among the needy.

The "Give Me" Habit

America had gotten her first taste of government organized to "give to him that asketh" and the taste was exhilarating – intoxicating – we liked it. "Give me liberty or give me death," was shortened to just "Give me." We not only wanted to be protected in the use of what we already had, but we got so we wanted a little bit of what everybody else had, too, not realizing that those two things are utterly incompatible. Now we had a government which guaranteed us protection against robbery, on the one hand, and promised us, on the other hand, that others would be robbed in our behalf if we could demonstrate our need, and if we would only keep the right people in power. Mr. Roosevelt had invented a new parlor game in which we all stand in a circle each with his hands in the other man's pockets all expecting to get richer thereby.

Perhaps it was merely a coincidence, but it was about this time that the goddess of liberty disappeared from our dimes and Mr. Roosevelt's picture took its place – the perfect symbol of what was happening to our old concept of government.

Apparently nobody had thought of one obvious fact: Government could not give to us what it did not first take away from us.

Unlike other countries which, when they have ruined their own economy by the same methods we had now adopted, could get aid from Uncle Sam by the mere threat of trading with the Communists, America's only source of income is from its citizens. We

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tried hard, of course, to "create" wealth by inflation and by mortgaging every unborn child for the next score or more of generations. Still, government could not give to any of us what it did not first take away from some of us. So, regardless of intention, our social programs were soon seen to be serving one purpose only, the redistribution of the nation's wealth.

True, some people had more than they needed, others less. A more equitable distribution of wealth appeared to many to be a desirable thing. But some of us are not convinced that the redistribution of wealth is a proper function of a government designed to protect man in the exercise of his legitimate liberties, one of which is the "unalienable right" to the wealth which he produces and by which he sustains his life, protects his liberty, and enhances his pursuit of happiness.

Another thing we didn't understand was that to make a government strong enough to give us what we want we must at the same time make it strong enough to take from us what we have. And what is communism but a government that takes everything one earns and gives back what is left after it fulfills its own desires? Is America moving in that direction, giving its citizens more and more and taking from them more and more until someday we may have it all taken from us on the pretext of protecting us from each other? Have we bought the idea that the redistribution of wealth is a legitimate function of government?

If so, we have made a complete about-face and a government designed to prevent one man from robbing another has become the instrument through which one man is robbed for the benefit of another.

IDEAS ON LIBERTY

James Madison

SINCE the general civilization of mankind, I believe there are more instances of the abridgement of the freedom of the people by gradual and silent encroachments of those in power than by violent and sudden usurpations.

Speech in the Virginia Convention, June 16, 1788

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THE BACKDROP OF AMERICAN SOCIAL CONDUCT

GILBERT R. GADZIKOWSKI

When the one-eyed Cyclops filled his huge belly with a meal of human flesh and washed it down with unwatered milk, Odysseus and his loyal followers stood in horror, paralyzed by their sense of utter helplessness, and raised their hands to the gods.

Historically, men have always judged and recognized justice and injustice, right and wrong in human conduct. It is true that the concepts of what is just and unjust and of what is right and wrong have depended on the backdrop of each society against which the human conduct was measured. But always some backdrop was there, a stable and deep-rooted pattern of human conduct, stronger and more fundamental than custom. According to this norm, men guided their lives and judged their actions.

Today, we have come to call these stable and deep-rooted patterns of human conduct, institutions. They are stronger than custom. They are constant patterns of conduct which proceed from an inner conviction rather than from convenience or convention such as eating with one's right hand. When various institutions of an age are woven into a personality complex, they emerge as the ideal personality of that age, never fully realized in any one individual but functioning as a guide in the lives of all.

Reflection upon the backdrop of of our current United States society, the pattern according to which we measure our actions and

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conduct, can bring one up with a start. The tendency toward, and the problem of the depersonalization of man, is an insidious one and can go almost unnoticed unless one attempts to understand and interpret our current institutions.

Imprisoned by Organizations

By the depersonalization of man is meant the mechanization of society and everyday life along a pattern whereby the scramble for material goods and the efficiency of group operation supersedes the individual person's dignity and worth. If there is any characteristic about man that stands out above all others, it is his perfectability. Man is born into this life a *tabula rasa* upon which each action of man's life is recorded. Jaime Castiello, in his work, *A Humane Psychology of Education*, points out that the subconscious of man is "the permanence of the past in a man's present; his life's diary written in his nervous tissue and on the meshes of his muscular fibre." Each activity of man actuates him more, brings out his being more, makes him metaphysically more perfect. Man is made to be perfected by his own activity. Hence, the depersonalization of man means the displacement of his own activity, the displacement of the goal of his own perfection for a goal or goals outside of man.

In today's United States society, we can see this displacement of man's activity for that of the efficiency of the group activity. We can also see the displacement of the goal of man's perfection for that of a goal of material goods outside of man. But what is worse, the tendency toward depersonalization is becoming more and more accepted; is becoming more and more a part of the warp and woof of the tapestry which forms the backdrop of our society. It is penetrating and permeating the institutions against which we in the United States judge and accept or reject man's conduct.

If we were to list the various organizations which are constantly bidding for man's attention and membership, their number would be legion. Today, a man no longer is judged by what he is but by the length of his membership cards when they are laid out end-to-end. Group activity has become a mania.

If we were to list the various material goods which are the object of man's fevered acquisitive efforts, their number, too, would be legion. Today a man is no longer judged by what he is but by the home, the car, the wife or wives, and the position he possesses.

What is worse, and this indicates the deeply penetrating aspect of the trend toward depersonaliza-

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tion, man himself judges himself not by what he knows himself to be but by what the organization thinks of him and by what he owns or has taken out on credit.

The Key to Self-Improvement

Let us explore some specifics. Man has the right, nay more, the necessity of exercising himself to perfect himself. In no other way can he perfect himself but by his own activity. American businessmen – with rare and refreshing exceptions – have remained children in this matter, expecting the protective "mother image" of the government to coddle them.

The extensive farm surplus programs have been the subject of heated debate for some years. But the argument has nearly always remained on the plane of dollars and cents. Few have ever talked about the challenge and the acceptance of the challenge by the individuals involved if they are to perfect themselves. Scarcely anyone has dwelt on the concept of self-activity whereby one accepts the challenge of the business environment and expands himself metaphysically into a greater being through his self-activity. Instead, there has been a general immature stampede to the White House, calling upon "mother" government. "You do it for me," is the saying of a child.

Similarly, United States businessmen have shown an immature cowering in the face of inflationary wage demands. Instead of accepting the challenge, all too many have relied upon tariffs and quotas imposed by a "mother" government to keep them in a competitive market. They passed unto the government the solution of a problem which must be handled by their own self-activity, through resistance to the unreasonable demands and/or through increments in productivity in order to maintain their prices on a competitive level. Little attention, if any, have they given to removing the interventionism of which inflation is the inevitable consequence.

The American laborer has sold his worth and dignity to a labor organization for less than thirty pieces of silver, in some cases, a few more pennies per hour. Group activity and the efficiency of the organization have swallowed up the laborer. No dissenting voice by any member of the labor organization is expected when the labor chiefs call for a strike vote. Personal views are not and cannot be tolerated when the group decides to move. Further, lack of self-activity on the part of the laborer has resulted in an over-all apathy that leads to corruption and racketeering in the labor organizations. The efficiency of the or-

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ganization is everything; the worth of the individual worker is nothing.

This is what is accepted on the United States scene. This is what is becoming the backdrop against which we measure our conduct. Our social institutions no longer reflect the dignity of man and his self-perfection through his own activity. Instead, the efficiency of the organization swallows up the person.

Nikita Khrushchev boasted that Soviet standards of living would soon excel those of the United States. If his boast were to be fulfilled, it would still be unimportant. The fundamental question will always be that of human worth and man's freedom to exercise himself toward his perfection.

But in the United States, the people, almost to a one, became excited and frightened by the boast of the Communist Boss. They failed to realize the real question involved because they themselves have merged their concept of themselves and their worth with the possessions they own. They no longer can think of themselves as divorced from their trappings which we call a standard of living. The tendency to displace the value of the self with the value of the material goods is also a part of the backdrop currently taking hold in the United States. Americans do not think of themselves anymore. "I am an $80,000 home." "I am an automatic washer-dryer." We do not say it out loud. But we think it!

This then is the fundamental social problem of the United States. The depersonalization of man is the problem man faces and only he can solve it. Self-activity is the only cure; his own perfection and worth his only goal that will not fail or deceive him. The mechanization of the society of the United States and our everyday living has reached the point whereby we judge the pattern of our actions not by our individual worth and dignity but by the efficiency of our group's activity and the scramble and possession of material goods. ◆

IDEAS ON LIBERTY

A Risk Worth Taking

THE LIBERTY of going wrong is the seamy side of the priceless privilege of going right by free choice rather than by compulsion.

WILLIAM ERNEST HOCKING
The Coming World Civilization

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COMMUTER-TRAIN SUBSIDIES

or — THE MECHANICS OF PAINLESS PAUPERISM

It was a sunny afternoon
At story-telling time.
Old Kaspar searched for more cigars
And checked his rum-and-lime,
While Peterkin and Wilhelmine
Looked at the futurama screen.

They saw a crowded city street,
Where slinky men in pairs
Were slipping up on passers-by
To catch them unawares
And lift their cash from hand or hip
Without a fumbled touch or flip.

"Is that a gang of robbers there?"
The little children cried.
"It's just another hidden tax,"
Old Kaspar soon replied.
"That's how the Treasury obtains
The cash to aid commuter trains."

"Commuter trains," said Kaspar then,
"Are needed every day;
But now their costs have soared beyond
What passengers will pay.
That's why they get a subsidy
To keep them out of bankruptcy."

"Why don't we use an open tax?"
Asked little Peterkin.
"Commuters have such tender hearts,"
Said Kaspar with a grin,
" 'Twould make them suffer dreadfully
To see who paid the subsidy."

"It seems a very thoughtful plan,"
Breathed little Wilhelmine.
"It keeps commuters," Kaspar said,
"Contented and serene.
The Planners take the greatest pains
To shelter folks from moral strains."

H. P. B. JENKINS
Economist at Fayetteville, Arkansas

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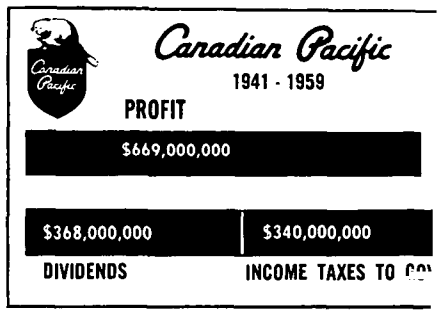
A TALE OF TWO RAILROADS

What is it that causes one line to make money while the other runs in the red? The answer is important to all Americans.



HOWARD STEPHENSON

WHEN THE CHIPS are down, which is the more successful – private enterprise or government ownership?

This question is being debated all the time, in many countries. Answers tend to bristle with "if," "yes but," "maybe," or "it depends."

Why not look at the world's unique big-scale example, where both kinds operate side by side? Here are two businesses, both in the $2.5 billion financial class. Both sell the same kinds of service. Both strive to make a profit. One fails to do so; the other steadily pays dividends. Perhaps a closeup view may reveal some aspects of these two giants that argument and theory can't make plain.

Canada is their home. The two largest railroads in the Western Hemisphere run coast to coast. The slightly larger one in terms of mileage is the Canadian National Railways, government-owned. The other, the Canadian Pacific Railway Company, is a corporation owned by its stockholders. You can buy its shares on a stock exchange.

Dr. Stephenson, a former Boston University professor, is a World War I veteran of the Air Service, U.S. Army. He has lived in and traveled throughout Canada and has written widely on Canadian subjects. This article first appeared in the February 1960 issue of *The American Legion Magazine*.

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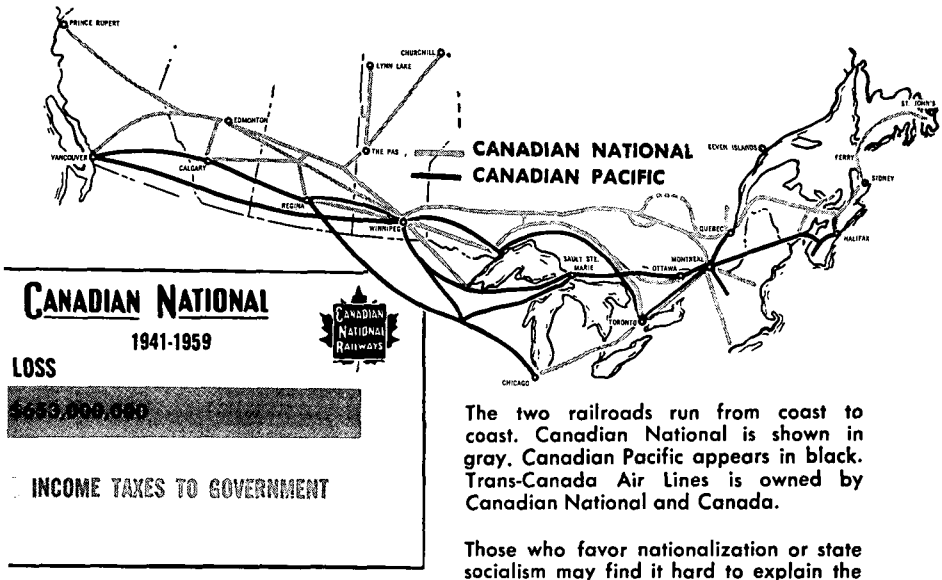

The two railroads run from coast to coast. Canadian National is shown in gray. Canadian Pacific appears in black. Trans-Canada Air Lines is owned by Canadian National and Canada.

Those who favor nationalization or state socialism may find it hard to explain the profit-and-loss chart at left.

In no other country will you find a comparable situation, where railroad transport services are about equally divided between private enterprise and public ownership.

To see these big, impressive organizations in their own backyard I flew from Boston to Montreal in a Viscount passenger plane of Trans-Canada Air Lines, a subsidiary of Canadian National. No competition here from the Canadian Pacific. But in Montreal it was different. There I found the two transportation giants battling it out in the air, on the rails, over the highways and waterways, from one end of Canada to the other — real, tough competition. So when you talk about railroads in Canada, you are talking about a lot of other means of freight and passenger service too.

The Government Referees

The referee is the government, which makes the ground rules, and also owns the Canadian National. Canadians are very much sold on the spirit of fair play, which is part of their tradition. Whenever the people of Canada think they detect favoritism in the transportation business, they holler. And the referee pays attention.

The airways scrap of the 1950's

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is a good example. Trans-Canada Air Lines, owned one-half by Canadian National and one-half by the government direct, had a monopoly on transcontinental flights. The private line, Canadian Pacific Airlines, an integral part of the C.P.R. system, couldn't get a government license to set up competing service. Monopoly is sweet, and hard for anybody to surrender. But the people's protest became so clamorous the government had to yield, and in May 1959 the new Canadian Pacific Airlines coast-to-coast schedules began, using turboprop Bristol Britannia aircraft.

"To be sure," I heard in St. James Street, the Wall Street of Montreal, "the C.P.A. boys are permitted to make only one flight per day each way, Montreal-Vancouver. But the government just wasn't ready to face up to an old-fashioned laissez-faire competitive battle. We take on these things a bit gradually, don't you know."

"To express the basic transport difficulty in financial terms," another St. James Street source explained, "the Canadian Pacific – rails, air, highways, waterways, hotels, whatnot; all rather large, you know – was so inconsiderate as to turn in a profit of $36.4 million in 1958, as against a deficit of $51.6 million on the part of the Canadian National. To permit the gap between the two performances to grow even wider by permitting both to run from scratch on the coast-to-coast flight matter would have been too much. So the privately owned airline has still to carry a slight handicap."

A third financial man said rather grumpily that Canada has socialism trying to get along with capitalism in its basic transport industries, and that this just can't work.

A Most Difficult Task

Socialism? President Donald Gordon of Canadian National doesn't talk like it. He said in London last summer:

"As for the Canadian National Railways, as a national policy, and indubitably in the national interest, its operations, its organization, and its business principles must be modeled upon those of private enterprise. . . . To ensure the efficiency of its day-to-day operations the yardstick of success must be found in its profit and loss account."

Nowhere I went in Canada were Mr. Gordon or his associates in management described as socialists, and their integrity is never in question. These men have fallen heirs to a most difficult task – operating a government enterprise in a generally free economy – and I suspect that privately they don't like it much.

Mr. Gordon's opposite number

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in the competing organization, President N. R. Crump of the Canadian Pacific, said at his 1959 annual meeting of stockholders: "The Canadian people as a whole have never consciously or deliberately sought socialistic answers to their problems in transportation or in any other field."

I did not attend this meeting, as I was elsewhere in Canada at the time; but that particular statement made a hit with stockholders, just because it indicates the traditional fair-play attitude that Canadians like to see. Mr. Crump was not calling names. But he knew which team he was on, for he added:

"If public [government] enterprise were subject to the same ground rules, including penalty for failure in meeting the test of the marketplace, then competition with private enterprise would be possible without prejudice to the principles of the market mechanism. But if public enterprise has access to capital without regard to cost, then sound economic principles governing growth and progress are jeopardized and an added burden is imposed on the taxpayer."

A journalist assigned to Ottawa, the national capital, was somewhat more forceful. He told me:

"We have got this big socialistic enterprise, the C.N.R., hung around our necks like an albatross. Most people didn't really want it in the first place in 1923, and nearly everybody would be delighted to be rid of the monster as a government business. But let's face facts. *It's too late.* The government-owned railway is a *permanent* liability that the people of Canada have got to support with tax money.

"I am proud of the Canadian National, with good reason. It's a fine railroad – its subsidiary companies also turn in the best jobs they can. The fact that I don't like the type of ownership doesn't mean I think the management personnel incompetent. Far from it: they stack up with the world's best. But there is a sickness in socialism that never shows up in advance."

Done in Desperation

How did Canada get into government ownership of the giant C.N.R. in the first place? I have been traveling up, down, and across Canada for a great many years, preparing articles and economic reports. I recall the postwar depression of the early 1920's, when Rod Mackenzie's Canadian Northern was in a bad way financially; the Grand Trunk System was in danger of collapse; and the half dozen or more components that were to be made part of the

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Canadian National were on their last legs. The government stepped in and rescued them by taking them over and forming a nation-wide railroad empire rivaled only by the privately owned Canadian Pacific. The Canadian people were driven in a time of desperation to take the drastic step of government ownership, almost against their will.

This 37-year-old experiment has proved conclusively that the two incentives that make a private enterprise succeed are lacking in a government enterprise; namely, the reward for accomplishment and the penalty for failure. Before examining some of the evidence of this, let's take a glance at some pretty big arithmetic:

Over the 18-year period from 1941 through 1958, the privately owned Canadian Pacific paid its stockholders $368 million in dividends, and paid income taxes amounting to $340 million to the Canadian government.

In this same period the government-owned Canadian National paid no income tax.

And in those 18 years the Canadian Pacific earned a profit of $669 million while the Canadian National suffered a loss of $653 million. That meant big spending money for C.P.R. shareholders, big taxes for *all* Canadians.

The Canadian National had a good year in 1953, and paid the government nearly $250,000 in dividends on preferred stock. But five years later, with railroad operating revenues of $705 million, its 1958 loss was $14 million; the C.P.R. in 1958, taking in $467 million in railroad operations, showed a profit of $55 million. Both had revenue from other activities – the Canadian National $9 million and the Canadian Pacific $17 million.

"Integration" and "Enterprise"

Why these incredible differences? I got two one-word answers by interviewing Canadian shippers, the men who pay the freight. One was "integration." The other was "enterprise." These two points of view gibe perfectly. Both seem valid to me.

Here's an example of integration that showed a lot of imaginative enterprise: A major headache to railroads, in the U.S. as well as Canada, has been the rise of air and truck transportation. The Canadian Pacific launched a "pilot plant" operation on the West Coast, to see whether package shipments – less than carload lots – could be handled through one management no matter how they traveled. Today you can ship from Vancouver by rail, truck, piggyback, or air, in any combination. This service is integrated in control of solicita-

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tion, handling, transportation, and accounting. It worked so well in 1959 that it will be extended throughout Canada. The shippers said it saves time, money, trouble, and bookkeeping.

The Canadian National will follow suit. That's it, the government railroad isn't as free to experiment, to find new ways.

Another example: Both railroads own a string of fine hotels across Canada. But the managements' attitudes are different. The Canadian National, after its experience in building a splendid new hostelry in Montreal, the Queen Elizabeth, has flatly announced it will build no more new ones. The rival Canadian Pacific completed and opened in February 1959 an addition to the Royal York in Toronto that makes this 1600-room hotel the largest in the British Commonwealth. With enthusiasm, the C.P.R. sees itself as "providing facilities for the needs of an expanding nation." (Did you know Canada will have a population of 18 million in 1960?) So while the government hotel enterprise wants no more, the private enterprise is alert to new places that will yield a profit.

The St. Lawrence Seaway

How about the St. Lawrence Seaway? Everybody asks that. Some diversion of freight tonnage from both railroads is inevitable, perhaps a great deal.

"It isn't a threat: it's only seven-twelfths of a threat," a C.P.R. official remarked. He referred to the fact that the winter freezeup will probably halt Seaway traffic to far inland ports part of the year. The Seaway, that liquid turnpike that will transform much of Canada's midwest, just as in the U.S., also can be looked on by railroaders as a challenge and an opportunity.

The piggyback system of freight shipment – by which wheeled vehicles ride on flatcars, then take off on highways to make deliveries – gave somebody a big idea. Why not a fishyback? Why not adapt the same method to freight vessels? So the C.P.R. is developing a line of containers suitable for this traffic. This imaginative idea will help shippers pack their freight so that it can travel by land or inland sea, according to the season. The C.P.R. rails will provide a usable alternative when the inland waters are frozen over.

An Integrated Service

As 1960 opened, the Canadian Pacific had had six months' experience with its newly streamlined organization. The country, previously divided into eight districts, is now divided into four regions – Atlantic, Eastern, Prairie,

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and Pacific. This cuts down overhead tremendously. This is part of the integration policy that seems to go right down the line. For example, rail, air, and steamship tickets can all be purchased at the same place; and the same salesman will help find accommodations at a C.P.R. hotel. And if he pushes C.P.R. express or C.P.R. communications services, that 's what he's paid for doing. The customer doesn't get mixed up trying to find his way to a dozen offices in the same city.

More statistics could be cited – many more – such as comparison of fixed charges ratios, the input of $50 million more into the Canadian National in 1958 despite a deficit of $51 million, and so forth. The big point, however, is not in the figures, but in the philosophy and policy. What actually is happening in Canada is that a loyal group of hard-working and able managers are struggling with an impossible adversary – the sickness that is socialism, no matter how one tries to avoid the term.

Fish or Cut Bait?

Can the economic disease be cured? Is it really too late as the Ottawa journalist insists? Or is one big, courageous step all the Canadian government needs to take? Such a step would simply be to start treating the C.N.R. like a private enterprise. To do so, the government would have to: (a) Set up an income tax account for this railroad on the same basis as its competitor. (b) Simplify the corporate structure, streamlining it into an integrated whole (there were 79 corporations in the C.N.R. complex five years ago, 45 one year ago, more than 30 still). (c) Tell the railroad to keep its hand out of the government till; no more subsidies; when an operation loses money, cut it off.

Ah, what a capitalistic utopia, with every institution required to fish or cut bait, turn in a profit or sell out! The political screaming that would ensue would shake the polar icecap.

Citizens of the U.S. Might Learn from Canada's Experience

But lest U.S. citizens gain the notion that it is only the Canadians who have drifted into socialistic enterprise without knowing it, let us be aware of the following: The inland waterways system of the United States is wholly supported by the taxpayers, not by the users; barges ride toll-free in channels kept open by the government for their benefit on the pretext of military necessity. The various State-chartered "authorities" are exempt from property tax, exempt from federal tax on their securities; none is operated

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on a basis of full self-support and contribution to taxes. Port facilities, bridges, airports, toll roads do not *pay* taxes; they *collect* them, without calling them taxes. The country's major highway system is a public utility. Such a facility is capable of standing on its own economic feet, as other public utilities are required to do.

Will the railroads of the U.S.A. succumb to the economic disease that is socialism? Of course we know that such a thought is ridiculous, until we recall the words of President Crump: "The Canadian people as a whole have never consciously or deliberately sought socialistic answers to their problems." But in times of economic difficulty, such an answer sometimes seems so easy!

EDITOR'S NOTE: *Some persons may question the fairness of this comparison between private enterprise and socialism on grounds that the Canadian government took over and combined numerous railroad failures and then extended its services into unprofitable areas. But a charge of unfairness is scarcely warranted, since this is the way of socialism according to its own claims. In the open market, competitive enterprise abandons uneconomic ventures; whereas, the closed or monopolistic market of socialism is unresponsive to costs and uses its taxing power to cover losses.*

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THE ECONOMIC GROWTH OF SOVIET RUSSIA

HANS F. SENNHOLZ

A keen observer takes a close second look at various statistics

COMMUNIST LEADERS tirelessly proclaim that the economic and social superiority of their order is bound to lead to its triumph. To accept such claims as fact leads to despair about the future of individual enterprise and freedom. To equate the alleged economic capacity of communism with military power gives rise to hopelessness about the military position of the free nations.

Impressed by Soviet "progress," some underdeveloped nations in Asia and Africa are imitating the communist system and accepting political and military integration with Russia, while we, in turn, may be tempted to imitate communist techniques in order to compete with the Soviet statistics. In the name and for the sake of economic growth, we may try more government regulation, more government spending, and currency expansion, thus hampering and mutilating our free market processes until they are replaced by the kind of government control that is the essence of the Soviet system. It behooves us, therefore, to examine carefully the alleged statistics of Soviet economic growth in the light of the known goals and techniques of the communist regime.

The communist world differs fundamentally from the democratic world in structure of state, economy, and society, in spiritual, intellectual, and moral constitution. Communism means extreme centralization of society and regimentation of the individual. It sacrifices everything humane to the State, subjugates and corrupts human conscience, and resorts to cruelty, evil, and deceit in order to attain its end. This is why Communists cannot be judged by our

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own standards of human relations and morality.

On the Nature of Soviet Growth

In an individual enterprise economy the consumers determine the structure, change, and growth of production. Through buying or abstaining from buying, they determine what is to be produced, its quantity and quality. Profits and losses oblige the producers to cater to the wishes of the consumers. Economic growth, thus guided by consumer preference, depends upon managerial ability applied to the savings accumulated by producers and consumers.

Economic growth under socialism differs radically from free market growth. The government has taken over, organized, and regulated practically every phase of economic production. As the only employer, the socialist government can concentrate the entire energy of the system on strategic points. Without regard for expense, it can throw materials and manpower into projects that are considered most important. The expenses are borne by the masses of people who labor long hours at cut-rate pay.

The Soviet State controls every phase of economic production including wage rates and working conditions. The remuneration and employment of labor, like that of land and capital goods, are determined in accordance with general Soviet objectives. Labor towards the consolidation and promotion of the communist order and state power is rewarded generously, while "unessential" labor must be satisfied with less. Certain industries deemed essential for Soviet objectives are supplied lavishly with labor and resources, while the unessential industries are drained for the support and growth of the former. In other words, numerous economic sectors with millions of workers are exploited for the benefit of a few industries that are essential for communism.

Freedom To Move

In a free market economy all discrepancies of remuneration and working conditions would soon be alleviated through the free flow of labor and capital. People and capital would leave depressed industries and flock toward better-paid occupations and industries. No doubt, the people of communist countries would move in similar fashion if free to do so. But the communist State cannot tolerate this migration for fear of collapse of the central plan. It forces millions of workers to continue their labor in the exploited industries and selects those who are privileged to work in the better-paying subsidized industries.

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The industrialization of Soviet Russia, which has been the foremost project of the Soviet regime, is carried out mainly on the backs of Russian agricultural workers. Many millions of Russian men, women, and children labor from dawn to dusk on collective estates for a bare minimum of existence. It is they who have to pay the high price for the industrial ventures of the State.

The apparel industry is another important source of Soviet revenue. The State sells all textile products at incredibly high prices, thus forcing the population to labor long hours for a minimum of clothing. The Soviet citizen is clothed in rags when compared with the American worker.

In addition to this form of mass exploitation, millions of individuals are forced to labor without any compensation on a bare minimum of existence. Upon their seizure of power, the communist dictators threw millions of Russian capitalists and landowners into concentration and labor camps, which have been an essential institution of communist production ever since. This labor force has been frequently replenished by hundreds of thousands of individuals from behind the Iron Curtain — countless Germans, Poles, Czechs, and Hungarians representing the latest addition.

Some Methods of "Growth"

Even if we were so naive as to believe implicitly the Soviet statistics, and to overlook their unswerving intention to deceive and mislead us, a few deliberations suffice to deflate their empty boasts. Russian statistics reflect the economic growth that is due to territorial expansion during and after World War II. The Soviet Union completely incorporated Estonia, Latvia, and Lithuania and acquired about half of Poland, parts of Finland, Germany, Czechoslovakia, Hungary, and Romania, a territory larger than France with a population of more than 22 million people. It is most difficult to estimate how much of the Soviet economic gain is attributed to military conquest, for which the Western democracies and, above all, the United States must ultimately be "credited" on account of their crucial role in World War II and their surrender of these people to Soviet control afterwards. But we obtain an important clue on the scope of this growth from the fact that the newly acquired territory is slightly larger than the territory lost after World War I. As this territory contained some 18 per cent of the productive capacity of Czarist Russia, we may infer that the newly acquired territory accounts for at least 18 per cent of the stated Soviet growth since World War II.

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Another essential growth factor of the Soviet economy is the removal of capital equipment from all countries occupied by the Red Army during and after the war. Countless plants and factories, valuable machines and equipment, materials and supplies, rolling stock, rails, and even nails, were shipped to Soviet Russia. This productive equipment undoubtedly contributed greatly to the rapid economic recovery indicated by Soviet statistics.

Soviet economic growth is largely confined to only a few basic sectors. A capitalist economy expands in all its sectors, providing an even larger variety of consumers' goods and services together with a steady growth in leisure; but Soviet growth is erratic and eccentric, proceeding by fits and starts in accordance with the orders and directions from above. Little attention is paid in Russia to the wishes of consumers. The emphasis of Soviet growth lies on a few basic materials, capital goods, and armaments. Many of the economic sectors which we Americans deem important, such as construction, clothing, and services, are greatly neglected in Soviet plans. Needless to say, the Russian growth statistics give glowing reports on achievements in industries with highest priority while little or no weight is given to others.

Growth or Waste?

Such a "planned growth" may indeed facilitate some spectacular technical achievements. But we must be careful not to equate technical achievements with economic progress. For these achievements may actually be associated with labor exploitation and economic impoverishment. A centralized economy that operates without benefit of the market and its price system lacks the tools for rational economic calculation. The Soviet planners cannot ascertain whether the value of the output actually exceeds that of the input, for they lack the common price denominator that permits a comparison between the final product and a multiplicity of heterogeneous producers' goods employed in the production. In other words, they cannot determine whether an additional ton of steel is actually more valuable than the raw materials embodied in it, the labor withdrawn from other production, and other cost factors, such as location and time. In fact, it is entirely possible that an expansion of steel production not only curtails other production but even reduces total production. The people's living conditions may decline while the official statistics are reporting rapid economic growth. Furthermore, the additional ton of steel mentioned above may be employed for projects that

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constitute malinvestment and waste. In short, the statistical growth may be tantamount to economic waste and poverty.

Toward World Revolution

The struggle between East and West is no old-fashioned power struggle, but total war in which the communist strategy is changing continuously. Whether by psychological, economic, technological or military measures, the Communists work diligently and in many guises toward the ultimate triumph of communism.

The objective of communist world revolution has led to a vast expansion of Soviet military production and anything related thereto. This does not mean that the military power will necessarily be used in order to achieve final victory, although there can be no doubt that the Communists would use it if this would most effectively serve their cause. The existence or appearance of military strength also has the ideological effect of demanding respect in the councils of those nations that live by power and coercion. Nationalists, militarists, and other collectivists everywhere are unduly impressed by military strength and all political devices that promise to give such strength. Military production also affords relief and encouragement to the millions of Communists in the free world, who are working diligently towards the ultimate sway of their social order. What could be more reassuring to them than the thought of their own formidable military strength?

Why Communists Talk about Growth

To compare the growth rates of the Soviet economy with those of the market economy of the United States is an insoluble task. The two economic orders differ radically and fundamentally. In spite of all its mutilations and obstacles created by government intervention, the U. S. economy continues to grow in all its sectors at a modest rate. Because market prices still lend order to the economic process, our economy continues to grow and deliver the very goods which Soviet planners can only promise. To talk about and promise economic growth is a vital communist strategy to bolster the hopes of the suffering masses. For more than 40 years the communist leaders have successfully diverted their people's attention from misery and starvation, persecution and slavery, by promising them bliss in the decades to come. "We shall surpass the United States" is their latest slogan designed to catch the imagination of the masses and secure their docile allegiance. But if 42 years of Soviet tyranny have yielded no fruits

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of such ambitious intention, how much longer must we wait for the miracles of communist production?

There is one possibility that the Soviet economy may actually surpass us. If we should destroy our individual enterprise system through more and more government intervention, and endeavor to imitate the communist order, the ensuing chaos of our economy may even be worse than the waste and inefficiencies of the Soviet system. For our political leaders may lack the ruthless and savage determination to give some order to an inherently chaotic system. And we citizens may lack the servility of slaves that can make the Soviet system function. This is why our imitation of the communist order is so deplorable, for it must prove particularly disastrous for us.

FREE TO OBEY

The author's name is withheld to afford as much protection as possible to the Russian guide.

DURING OUR TRIP to Russia a year ago, we took a liking to one of our guides – a bright young man with a sense of humor. I shall call him Nicky, although that isn't his real name.

We talked about free enterprise, religion, and other things. One day I spoke of being free, and Nicky said: "I am just as free as you are. What do you mean?"

"Well," I said, "for one thing, here I am free to leave my own country and come to Russia for travel and sightseeing. I didn't have to ask permission of anybody and I don't have to report to anybody when I get home. Nicky, why don't you come to America and visit us and do some sightseeing?"

When he explained that he couldn't afford to, I said: "I'll be glad to buy you a ticket and supply you travel money so that you can make the trip, travel around the United States, visit me in my home, and have a good time."

"Oh, but they would never give me permission to go," said Nicky.

"Who are 'they'?" I asked.

"The government," he replied.

It had not occurred to him until then that he was not free.

One day he expressed interest in

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our *World Almanac,* which once had been forbidden in Russia, possibly because it contained too much accurate information. Although we offered to give him our copy, he didn't want to accept it until evening, and then carried it home under his coat. When we asked him if this were freedom, he replied: "It is everywhere this way."

During our travels we frequently consulted John Gunther's *Inside Russia,* and read some pages aloud. Gunther describes at some length the cruelty and double-crossing of Stalin's regime. Nicky wanted a peek at the book every chance he got; and, when we left, we gave him our copy. This, too, had to be well wrapped and concealed before he was willing to take it with him.

Outside Leningrad we visited the great Peterhof Palace, which had been entirely destroyed in the 900-day siege by the Germans during World War II. In the past few years, the Russians have spent millions and millions restoring the palace, its fountains, and gardens. My wife said to Nicky: "I thought you Communists wanted to get rid of czars and palaces. Your housing is inadequate; your quarters are wretched and lack bathrooms; and yet you spend millions fixing up this old palace. What for?"

Nicky thought a minute and then said: "Well, I've often wondered about that one myself." This is the only time a dent showed in his brainwashed armor plate.

Commenting on Moscow's subways, I said: "These subways are very elaborate. They look like the anteroom to a king's quarters. In America we have subways but they're just concrete holes in the ground, built for the purpose of going places. We like to embellish our homes. Why do you lavish all this money down here in the subway?"

To this Nicky gave the stock answer: "Oh, we own all of this. It belongs to us. We are very proud of it."

One more anecdote. Nicky said to me: "Private ownership is inconceivable to me. Is it true that private citizens own your factories?"

When I replied in the affirmative, Nicky asked: "Don't the stockholders cheat the workers? We would in this country."

I told him about the division of wealth between the stockholders and the workers and explained that nearly 90 per cent of the wealth created is divided among those that work while only a small percentage goes to the owners. Nicky shook his head and said: "I can't understand it. Why would anyone want to be a stockholder if that is all they get?"

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SOVIET ECONOMISTS PART COMPANY WITH MARX

TRYGVE J. B. HOFF

KARL MARX is rightly looked upon as being the spiritual father of socialism (and communism). But it is the forceful appeal in the demagogic *Communist Manifesto*, not *Das Kapital* and his analysis of socialist theory, that gives him paternity rights. His theoretical contribution was his account of dynamic private enterprise, for the achievements of which he nursed considerable admiration, and not his labor theory of value, the weakness of which Marx himself recognized.

Marx was more concerned with tactical and political questions than with the theory and practice of socialism. He discussed how a capitalist order should be transformed into a socialist one, whether it was advisable to employ revolutionary or parliamentary tactics, by what means the capitalists could best be expropriated, what industries should be nationalized to begin with, and how rapidly the process of socialization could be carried on. Marx declared that no sensible person would think of working out recipes before the kitchen was ready, or words to that effect. The result was that in socialist circles it was considered downright heresy to discuss how the socialist communities should work in practice.

But, Russian economists have now begun to discuss the law of value.

At the meeting of the American Economic Association, held in December 1958, a clear indication was given of how the tide has turned. Attention was drawn to the fact that the change began with an article by a team of Russian economists headed by L. A. Leontiev, in the Russian journal, *Pod*

Dr. Hoff is publisher and editor of the Norwegian weekly FARMAND, from which this article has been translated and condensed. He also wrote the book, *Oekonomisk Kalkulasjon i Sosialistiske Samfunn;* in English, *Economic Calculation in the Socialist Society* (London: William Hodge & Co., 1949).

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Znamenem Marxisma, No. 7-8 1943.[1] Russian economists constantly hark back to this article when they discuss economics with foreign economists visiting the Soviet Union.

Professor Carl Landauer (University of California), in the *American Economic Review* of June 1944, says that the Russian article breaks new ground: it proves that the law of value is valid in a socialist system, too. Perhaps the most sensational feature of the article is its contention that this economic law relates to *the universal factors: scarcity and utility,* and that these factors have essentially the same content in socialist as in capitalist societies.

This is explosive material indeed! The Marxists have always ridiculed the concept of "eternal truths." But if they now acknowledge that eternal truths exist in the economic field, why then should they deny their existence in other fields?

About Face!

Now "value calculation" does not actually conflict with Marxist theory, for Marx concerned himself far more with criticizing capitalism than with explaining how the socialist system should work. But the Russian team of authors goes farther. It asks how the value shall be determined in the Soviet Union now that it has been established that Marx's labor theory of value cannot be applied. The point is that if *utility* is introduced, the labor theory of value must be abandoned. This means that the Soviet economy is now taking the road that leads from Marx back to Jevons, Walras, and Menger.

No one can doubt that the abandonment of the labor value theory is due to practical experience. "For the Soviet economist, the value theory is not a mere academic affair. Value is the 'single denominator,' which must be used in Soviet bookkeeping for the 'comparison of the expenses of the firm in a given period with the whole mass of production for the same period,'" says Professor Landauer, quoting from the Russian article.

"If values reflected only labor cost," Landauer says, "they would not be usable for correct bookkeeping." The Leontiev team, Landauer adds, is saying virtually the same thing as did Boehm-Bawerk and Cassel. He points out that others have also foreseen this development in socialist societies.

The professor goes on to say there was in the beginning an attempt to represent the team's article as a symptom of the Soviet

[1] English translation reprinted in full in the *American Economic Review,* September 1944.

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Union's decreasing hostility to capitalism, but he claims that those who do this are on the wrong track. The Soviet economists several times express their conviction that the capitalist system must be abolished. They can hardly say anything else. The main point, however, Landauer goes on to say, is that the labor value theory has now been abandoned by the Soviet Union, a fact which "will free price analysis in Soviet planning from a severe handicap."

A Practical Problem

It was not academic interest in economic theory that induced Leontiev and team to proclaim respect for the "value-law" in the socialist system. A contributory cause was the fact that some Russian factories managed to operate at a profit, whereas others ran at a loss. There may be many reasons for this, but one of them is that certain factories enjoy a favorable location with respect to supplies of raw materials, availability of labor or markets, while others were badly placed.

As the State owns all land and no rent is charged for use of land, this prime factor is not taken into account. Nor is interest charged on capital, the argument being that the State owns the factories so that such accounting is considered superfluous. However, as there is no need to pay interest, the managers of state-owned concerns are tempted to hoard materials – after all, it costs nothing. The consequence is that a "value problem," or a calculation problem, was found to exist there, too. The question of interest was looked upon by the authorities as separate and subsidiary. But the significance of the fact that some concerns operate at a profit and others at a loss was understood to the full.

The Soviet authorities have endeavored to solve the problem – though not very successfully – by stipulating "regional transfer prices," by granting subsidies to the poorly placed factories, and by fixing "special settlement prices" to suit the various cases.

Economics of Agriculture

Khrushchev, himself, as a consequence of the poor results achieved in agriculture, has become aware of the need for calculation. In his notorious report of December 15, 1958, the Russian Premier declared: "It is impossible to carry on agriculture without a thorough analysis of the costs of producing the goods and without exercising control by means of the ruble." In so saying, Khrushchev is simply corroborating what sensible economists have always maintained.

In Russia there are a confusing

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number of price levels, that is, *if* the word "price" can be applied to numerical designations which are arbitrarily determined and have nothing whatever to do with markets. For retail prices alone, seven different price levels exist, of which probably the only reliable ones are those ruling on the black markets.

Of far greater importance than prices of consumer goods, however, no matter what the system, are the prices of raw materials and means of production. Where there are no markets – and there are none for means of production in socialist states, because the State, by definition, is the sole owner – there can be no market prices for the means of production. And where there are no market prices, there are no reliable calculation data.

The "transfer prices" which the Soviet authorities have employed are completely artificial. The drastic alterations continually being made in "relative prices" and the skepticism with which they are greeted by the Soviet authorities themselves show how worthless they are.

Further proof of the skepticism about prices in Soviet Russia is found in the comparisons which are being made constantly with prices in countries where private enterprise exists. The supreme socialist authority, Stalin himself, once declared that the price of cotton in the Soviet Union had to be set higher than the price of grain in the Soviet Union "because this is the case on the world market."[2] This reference by Stalin to foreign price relations is not merely a confession of a fundamental defect in the socialist system. It reveals also that the existence of capitalist societies with price data constitutes an enormous advantage for the socialist states.

Cautious Criticism

There is widespread anxiety among Russian economists because their economy lacks serviceable criteria and stimuli for rational economic choice. The foremost politicians have likewise been seized by a desire for rationality. However, Soviet economists have been warned against "revisionism."

Nevertheless, the Soviet economists now evince a tendency to criticize, but their criticisms are presented cautiously and obliquely. This is primarily an intellectual and academic trend, and there is nothing to indicate that Soviet Russia is endeavoring to bring about a return to the "market

[2] Reported in *Economic Problems of Socialism in the USSR*, Moscow, 1952, p. 24, according to the *American Economic Review*, February 1959, p. 62.

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mechanism." This is understandable, as such a statement would be tantamount to a proclamation that socialism has failed. On the whole, therefore, discussions on allocation of resources have taken place *sub rosa*.

Summary and Conclusion

In a socialist society, the private ownership of means of production has been abolished, and as a result there are no markets for the factors of production. Without markets for production factors, one cannot obtain real calculation data, i.e., prices which reflect on the one hand the varying demand, on the other the scarcity of existing resources, which is also a variable, depending as it does on technical developments.

Because Marx did not concern himself with the way in which the socialist system would work in practice, socialist economists in the early days regarded discussion of such matters as rank heresy. A few *non*socialist economists, men who have thought deeply about the problems of calculation and value, are the ones who have brought to light this fundamental defect of socialism.

As early as 1854 the originator of the marginal utility theory, the German economist, H. H. Gossen, declared that only through private enterprise would it be possible to produce a yardstick by which to determine how much might rationally be produced with existing resources.

Other economists who have given the problem their attention include the Dutchman, N. G. Pierson, the French Professor Bourguin, Max Weber (in his *Wirtschaft und Gesellschaft*), and Professor Boris Brutzkus. The one who merits the greatest praise, however, is Professor Ludwig von Mises. His contention was submitted quite casually, almost in passing, but it was found extremely provocative and sensational. "Because the socialist community is unable to calculate," he declared, "socialism is impossible."

As recently as twenty to twenty-five years ago, revelation of this flaw in the socialist program was greeted with a blend of indignation and irritation by socialist economists. One of the more polite criticisms leveled against it was that it was nothing more than abstract theorizing devoid of all practical significance. In view of this it is something of a sensation that Soviet economists to an increasing extent are being forced to admit that the nonsocialist economists were right. This admission does not stem from an academic urge to tell the truth, but from convincing object lessons. In Soviet Russia the muddle and lack of

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rationality in economic management have gradually become so obvious that the Russian economists themselves are no longer able to close their eyes to the situation. The same applies to the Russian political leaders.

To illustrate our point, we once asserted that in a socialist community there was a risk of molybdenum being used in the manufacture of toy swords. Some people thought we were joking and that this was a silly thing to say. However, at the plenary meeting in June 1959, Khrushchev raged against the results achieved by the system and said, among other things:

> "Here, brass chandeliers are manufactured with the sole object of making them as heavy as possible. The heavier each chandelier, the more the factory earns on carrying out its production program."

Brass is not molybdenum, but the irrational use of metals provides a good analogy to our example.

The increasing recognition — and admission — by Soviet economists and politicians that the value problem also exists in the socialist system gives ground for hope. Not for hope that this great defect can be eliminated; it cannot as long as Soviet Russia remains socialist, because that weakness is inherent in socialism. But it gives hope that the Soviet economists will be allowed to draw attention to the great flaw in socialism and in so doing pave the way for rejection of the socialist system.

IDEAS ON LIBERTY

A Major Issue

MOST FUNDAMENTAL . . . is the question of whether we are going to protect the opportunity of the market system to continue to be the primary "decision making mechanism" for our economic system. The alternative is to substitute political planning, political management and political price fixing.

ROGER FLEMING
From the Secretary's 1959 Annual Report
to the American Farm Bureau Federation

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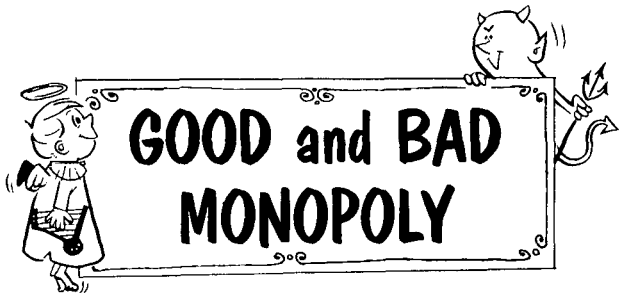

LEONARD E. READ

MONOPOLY MAY BE GOOD or it may be bad, in the sense that human behavior may be good or bad—according to whatever ethical standard we use to measure moral action.

The term monopoly, however, has taken on bad connotations to the point where goodness is rarely, if ever, associated with it. As if behavior were always thought of as misbehavior!

The one-sided evil ascribed to monopoly is so pronounced in most people's thinking that one is tempted to coin a new term to convey the idea of monopoly in its good sense. But remedying mistaken connotations by inventing new words is, more often than not, a hopeless means of improving communication between people. It may be simpler to correct the mistaken connotations.

According to dictionaries, the term monopoly means "exclusive control of a commodity or service in a given market." Monopoly and exclusive market position are interchangeable terms, so deeply imbedded one in the other that they possess semantic inseparability. Thus, there is little choice but to make out as best we can with the word monopoly.

There are two ways to attain an exclusive position in the market, that is to say, there are two ways to achieve monopoly. One way is not only harmless – indeed, it is beneficial; the other is bad. The beneficial way is to become superior to everyone else in providing some good or service. The bad way is to use coercive force to keep others from competing effectively and also from challenging one's position. Rise above others by excellence, or hold others down by coercive force!

As the late Ambrose Winston so skillfully pointed out in his *The Chimera of Monopoly* (see p. 39), the bad form of monopoly is virtually impossible, assuming free exchange. In brief, monopoly in its

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popular and evil sense cannot be achieved except as coercive force—private or governmental—is employed on its behalf. Mr. Capone used private force to maintain an exclusive position in Chicago's beer market. Governmental force links itself with labor unions to keep workers from having free access to the labor market. The same force joins with producers and distributors to limit access to markets, as in the case of cartels and other forms of trade restriction. Exclusiveness in the market as a consequence of coercive force is the only form of monopoly most people envision. Thus, they look upon any and all exclusiveness in the market as having none but evil characteristics.

There is, however, a way of achieving a monopolistic position (exclusiveness in the market) that beneficially affects all concerned. Indeed, all progress rests upon this way: Become superior, that is, surpass others by excellence, which is to say, achieve leadership by the voluntary followership of others.

A simple example: Assume the existence of a common brain ailment among the population, one that no person has yet found a way to alleviate. Next, assume that you, through research and experiment, eventually perfect the techniques in surgery that can effect a cure. You will in this instance, temporarily, have an exclusive market position, a monopoly. No one will be injured by your achievement; the few on whom you can find the time to operate will be benefited. This is not only a harmless monopoly; it is a good one in the sense that it is an improvement upon that which existed previously.

Badness, nonetheless, will be ascribed to your monopolistic position, and for a simple reason: Thousands of those suffering the ailment will seek your expert services, but only a few of them can be accommodated. Both the surgery and the preparation are slow and complicated. Fifty operations are your maximum for any one year. All but the fifty will complain about the method of allocating your services, no matter what method you choose.

For instance, you could confine the surgery to your friends, charging a "friendly" fee. Or, to the poor, doing the specialized work for free. Or, to those whose lives, in your judgment, were most worth saving, charging what each could afford to pay. Or, as in socialized medicine, letting the bureaucracy issue the priorities, at an arbitrary fee to be paid out of taxes. Or, as in Russia, according to political preference.

Choose whatever method you will, only the fortunate fifty can be

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served by you annually. The unattended thousands will be unhappy with your monopoly, regardless of how your services are allocated.

Dissatisfaction on the part of those whose lives you cannot save is to be expected. What ought to interest them, however, is some method of allocating resources that will attract others to compete with you and thus challenge your exclusive position in the market. There are, they should recognize, no powerful influences in any of the above "humanitarian" methods for luring others into an emulation of your surgical excellence. This is another way of saying that these methods of allocating resources more or less limit the goodness of your type of monopoly to the good that you alone can perform.[1] You can save fifty lives annually, no more. There is a method by which the goodness in a good monopoly can be vastly multiplied, by which its temporariness can be assured, its permanence broken. It is the method of the free market with its price mechanism: Charge a price high enough to limit the demand to the number of operations you can supply – to bring demand and supply into balance. That price, for the sake of this argument, might be $25,000 per operation. This, admittedly, is but to affirm that in the initial instance only the wealthy or those willing to mortgage their futures could afford your life-extending services.

"Horrors!" would cry those who call themselves humanitarians. "There is no thought of people at all in this scheme, only of money. What a materialistic point of view!" Yet, the same number of lives is to be saved as before, the only difference being in the method to determine *whose* lives.

While badness, not goodness, is often ascribed to the price mechanism of the free market as a means of allocating goods and services, the ascription is wholly in error, even on humanitarian grounds. For, this method, allowing for the influences that motivate men in today's world, is the only realistic way of bringing the above-mentioned surgical services to the tens of thousands who are suffering the brain ailment. The very high price per operation is the market's green light. It is the economic "go" sign signaling the way to green pastures. It powerfully attracts other surgeons to the same high achievement as your own. Soon there will be many surgeons who will perform

[1] This assertion assumes that man in today's world is not, for the most part, a selfless being. Admittedly, there are those of undeniable talents who take vows of poverty and also others who turn their backs on the rewards of this world. But they are more the exception than the rule.

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the same operation as dexterously as you. The price – in a free and open market – will be relied on to allocate the available resources, its tendency being, as with shoes, houses, autos, TVs, foods, and whatever, to fall within the range of all.

The market method of allocating resources is impartial. It brings individuals together, *impersonally*, on a mutually agreeable basis.

All alternative methods are partisan and personally discriminatory. Assuming the most high-minded and charitable surgeon conceivable, he must, if he rejects the market method, personally select from among the thousands the fifty on whom his beneficence is to be bestowed. Or, if the alternative method is governmental control, some individual in the political apparatus makes arbitrary decisions as to who is to receive the surgery. Of necessity, under this method, there is a ceiling on prices and thus the scheme carries no incentives luring others into superior skills.

The kind of monopoly which particularly merits opposition requires coercive force which, usually, is provided by government. To the extent that this type of monopoly exists, to that extent is the market closed. This is the socialistic formula and presupposes a bureaucracy composed of omniscient individuals, intellectual supermen capable of bringing all human action within their intelligent purview.

Good monopoly requires nothing in the way of societal or police control except the formal, legal inhibition of all fraud, violence, misrepresentation, predation. Such inhibition is the function which government, in good theory, is supposed to perform. Creative action is unfettered. Superiorities in the market (monopolies) tend to assert themselves as rapidly as the abilities of the people permit. To the extent that this type of monopoly exists, to that extent is the market open. This is the libertarian or free enterprise formula and presupposes a people not one of whom is capable of coercively directing the creative actions of others, wisely.

When everyone is free to pursue an exclusive market position by the route of superiority, as distinguished from imposing inferiority on others, such creative potentialities as exist in the people will find expression and realization. The two kinds of monopoly have to do with getting on top by productive and creative talent or getting on top by holding others down. The contention here is that the former is good monopoly; the latter is bad monopoly.

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Editor's Note: *A popular clamor persists that government intervene to curb monopolistic practices. Often overlooked is the fact that prior government intervention in one form or another – or failure of government to suppress "private" resort to force and intimidation – results in domestic and international barriers to trade, thus creating monopolistic powers or conditions that could not have developed in a free market without coercion.*

Professor Winston (1867-1959) stressed that fact throughout his long teaching career. He was Associate Professor of Economics at the University of Texas when this article, slightly condensed here, first appeared in the November 1924 issue of Atlantic Monthly.

The Chimera of Monopoly

AMBROSE PARÉ WINSTON

IN THE GREAT SEAFIGHT at Actium when the combined fleets of Mark Antony and Cleopatra contended for the empire with the forces of "Octavian," Antony's ship, it is said, unaccountably slackened speed and then, in defiance of the wind in its spreading sails, in defiance of hundreds of slaves bending to their oars, stood still. A diver, examining the hull, brought up a little fish of a variety which, according to general belief at that time, by attaching itself to a hull could hold the largest ship motionless on the water. Even to this day, in fact, it is a well-known species with a remnant of its ancient fame still perpetuated in the dictionaries by the name of *remora* (delayer) and in the zoologies by the specific name of *naucrates* or conqueror of ships. This belief was not confined to the ignorant populace; it was entertained by the best intellects of that time, by Lucan in his *Pharsalia* and by Pliny the Elder, himself commander of a fleet as well as the most noted observer of animal life in

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the whole history of ancient Rome: "What is more violent than the sea and the winds? What greater work of art than a ship? Yet one little fish can hold back all their fury and can hold back all these when they all strain the same way. The winds may blow, the waves may rage, but this small creature controls their fury and stops a vessel when chains and anchors would not hold her, and that it does, not by hard labor, but merely by adhering to her."

A fable, so out of keeping with modern thought that no one would now believe it, found at that time no one to deny it, because in that age there was a universal failure to understand that physical energy is quantitative and measurable — that the great force of a large body is not to be controlled by a little thing and feeble, "merely by adhering to" it. In contemplating the physical universe we have made appreciable advance, but it is possible that after some centuries the record of our thinking on social phenomena will be treated by the historian of science in the same chapter of Pliny's *Historia Naturalis*.

The Elgin Butter Board

For a series of years ending in 1917 the powers of the American government — legislative, executive, and judicial — were exerted toward destroying a reputed agency of oppression, a plunderer of the people, which had its seat in the town of Elgin, Illinois, west of Chicago, and which was said to reach out its strangling tentacles to the extremities of the nation. That town had years before been the center of trade in dairy products for the rich farming country round about; an organized market in butter had grown up there and become widely famous and its quotation of prices was recognized in all the butter markets of the nation. In time it quite lost importance as a butter market but still continued to be, even more than most markets for farm products, an object of denunciation on the ground that its Butter Board "fixed the price of butter." Congressmen, farm papers, and miscellaneous editors thundered to right and to left of it. It gave occupation to Federal Grand Juries and, in April 27, 1914, a decree of the United States District Court in Chicago condemned the officers and members of the Elgin Board of Trade on the ground that they "heretofore formed, and at the time of the filing of the petition were parties to, a combination and conspiracy to restrain interstate trade and commerce." The officers and members of the Board were accordingly forbidden to engage in the said conspiracy by fixing and

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publishing prices, unless these prices grew out of bona fide sales of butter.

In 1917, at the request of the Food Administration, the Elgin Board ceased operations. If we explore the depths to find out what manner of organization this is that fixes the prices of a commodity so widely bought and sold, what do we find? An Assistant United States District Attorney, who went out from Chicago and recommended that it be closed, described its operations. From January 6 to June 16, 1917, it met once a week with average attendance of four traders and average sales of 51 tubs of butter. From the first of August to the first of November all the sales, with two exceptions, were made by a man named Moles and a man named Christian. For example, August 4, Christian sold Moles 25 tubs at 38½ cents. August 11, Christian sold Moles 50 tubs at 40 cents. August 25, Christian bid 41 cents for 100 tubs, no offers and no sales. September 1, no sales. For years Elgin had ceased to be a butter market of importance; the meetings and the publication of prices seem to have been continued because some people in the neighboring territory, and also from Baltimore south, preferred the quotations from force of habit. The committee was substantially a statistical board to furnish information as to market conditions. As a source of information it was unsatisfactory and might have been misleading, but its suppression was explained and justified on other grounds. The Board was prosecuted, not for fraud, not, for example, on a charge of using the mails to defraud, but for exercising, or at least threatening, a dominant influence over prices to the injury of the consuming public.

The Tail Wags The Dog

The New York Times – an organ not inferior in intelligence to the average citizen – announced in a telegram from a Chicago correspondent that this formidable agency "practically fixed the price of butter for the United States." That is to say, the great currents of trade in that commodity, as it moved to the central markets and out again to the consumers, urged on by the imperious necessity of the producers to sell, drawn by the desire of the consumer to buy – thousands of pounds, millions of pounds (more than 300,000,000 a year coming to the neighboring market of Chicago alone) – were set at defiance by this puny survival of an abandoned market, as the little fish baffled the struggles of Antony's rowers and the winds of the Ionian Sea. Like our forefathers in their thinking on phy-

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sics, we in our sociology fail to understand that forces in society are quantitative and measurable — that the small forces do not prevail over the great. Pliny says that when a remora stopped the ship of the Emperor Caligula and was brought upon deck, it was only a little fish, and "it had not great power." (It was only Moles selling his weekly 50 tubs to Christian.) The pathetic Elgin Board case is, of course, extreme (the antitrust agitation is directed in many instances against groups not so clearly inferior to the great movements of commercial activity which surround them), but it is instructive precisely because it is extreme. The extreme case is needed to measure the present-day credulity as to combinations and their power over prices. Deep waters require a long plummet.

It is impossible to review here the whole subject of "Trusts." What follows is meant to apply only to the cases mentioned — namely, the "Beef Trust," the Standard Oil group, and the Railways of the United States. These have been the chief objects of attack in the antitrust agitation and legislation of the last few decades [prior to 1924]. It seems logical, therefore, to meet the prevailing public opinion on this matter on the ground which public opinion has chosen.

Business Size and Monopoly

The opinion has come to prevail almost universally that the growth of large-scale industry within a half-century has marked the end of competition. Mr. and Mrs. Webb in their book on the *Decay of Capitalist Civilization* (dealing with the United States as well as England) have attributed the downfall of capitalism to a replacement of the competitive regime by monopoly. Mr. Eliot Jones in his *Trust Problem in the United States* concludes that it is impossible to "restore competition." This understanding of recent industrial history arises from a misinterpretation of one set of facts and an entire oversight of another group of processes which have given to the industrial activity of our day an intensity of competition unknown to any earlier generation.

First, it should be understood that increased size in manufacturing organization is not the same thing as monopoly. The increase in size has resulted chiefly from improvements in transportation. When, one hundred years ago, it cost $249 to send a ton of iron from Philadelphia to Erie, the market for iron from any producing center was limited to a small radius. When a ton of iron can be sent from Pittsburgh to Vancouver for $18 the marketing

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radius is wide. The industrial unit was necessarily small when the market was narrow; it is large in an extensive marketing area. The change in size of factories and size of marketing areas does not mean a change in the number of producers within reach of the buyer. The twentieth-century consumer buys from a large factory selling across half a continent; his nineteenth-century ancestor bought from a little shop or mill which sent its products across half a county.

A Local Situation

In the small gristmill a family had few mills to choose from and paid the same price (or toll) to everyone. The millers could readily agree on prices without interference by officers of the law. In my Illinois village we were confronted when we bought meat, not by a beef trust, but by an entire consolidation of the beef industry in one person, namely, Joe C. We bought our beef from him or went without. Later Charley D. came in — we dealt not with a Big Five and two hundred independents described in the Federal Trade Commission report, but with a Big Two. The rich man of the region in a neighboring town had his meat sent in from a distance. This doubled the cost. With that one exception and occasional purchases in the winter of frozen beef from farmers by the "quarter," not one family in that region ever found relief from the power of our Beef Trust.

Not only has the substitution of large for small producing units resulted in no weakening of competition; more than that, it is an obvious deduction, from facts known to all observers, even from the hackneyed commonplaces of recent industrial history, that, with and because of the growth of capitalism, competition has in our day become intense and swift and sure beyond all previous human experience.

What do we mean by competition? We ought to mean the ready movement of the factors of production — labor or productive instruments — toward those employments in which prices are exceptionally high and profits large. That is, competition is substantially "mobility." Two things are necessary for this mobility: (a) knowledge, among persons outside of the high-priced employment, that it is profitable; (b) the possibility of increasing the use of capital and productive energy in employments whose superior attractiveness has become known. In both respects the tendency of recent industrial evolution has been toward making competition more prompt.

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An even more striking factor in the situation before us is the *fluidity*, the *mobility* of productive forces, now that the craftsman has given way to the machine as the dominant factor in production. The skilled workman, having learned his trade, was immobile; he could not invade another craft and he had little fear of an invasion of his own field by unskilled men or by men of acquired ability unlike his own. Tasks like those which formerly required muscular strength and skill gained through long apprenticeship are now performed in a large and increasing percentage of cases by men of little strength and brief training. . . .

If labor is readily diverted from one employment to another by the allurement of profits, the other great factor in production is equally fluid. New capital – the current accumulation of surplus income – is unspecialized industrial protoplasm quickly turning in any direction, attracted by the hope of profit, creating new competing products with a promptness and certainty unknown in the age of handicraft.

The owners of investment capital and their advisers are looking incessantly for the most profitable opportunities for its employment. The earnings from oil, from steel, from the packing industry, from automobiles, from sugar, from commerce and shipping, flow into steel or automobiles or oil, or whatever gives greatest promise of high earnings. In the production of the chief staples, every sort of productive agency – labor, no longer specialized as in the past but adaptable to any use, and material of every kind – is at the disposal of any group of persons possessing the requisite number of dollars.

Kinds of Competition

The matter is comparative, and in comparison of past and present we can say only that in the more general knowledge today of the relative attractiveness of business opportunities, in the increasing readiness with which unspecialized labor and unspecialized material for plant and equipment can be turned with brief preparation, the consumer finds a tolerably secure defense against high prices due to restricted supply.

It must be understood that competitive influences or processes are many. There is competition of the obvious sort between rival companies; there is the influence of "potential competition," caution in raising prices for fear of calling new rivals into the field (thus Miss Tarbell showed how, when prices of oil increased, the production of oil from shale increased

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and new wells were opened so that Mr. Rockefeller and his associates found that "making oil very dear does not pay"[1]). There are other forms of competition, or processes having the same effect as competition, in both railway transportation and manufactures, which have generally been slighted or overlooked. One of these neglected forms of competition is what might be called the motive of the empty car. If all railway property in the United States were united under one owner, it would still be necessary for that magnate to place a limit on charges in order to attract business, and thus to employ more fully his trackage and his rolling stock, as more than half the expense of railway operation continues even when traffic and revenue are next to nothing. The same principle applies to manufactures: running at half capacity is ruinous.

Another sort of competition is competition between one commodity and another for the purchasing power of the public. The fact that unlike commodities compete has been recognized in the case of the liquor traffic; the grocer has been biased in favor of Prohibition by his own interest in destroying a rival. The same sort of competition is well known in other cases without being called competition. For example, an association of onion-raisers in the Rio Grande Valley some years ago developed a market for their products in Kansas City by inducing the grocers there to lower the price of onions at retail, causing an increased demand for onions by a process of competition with the whole range of foods known to Kansas City housekeepers.

Intercommodity Competition

The development of a market for any commodity by joint action of producers of that commodity (as in the case of California fruits) through distributing samples, advertising, demonstrations to teach the public its uses and advantages, is intercommodity competition. It is quite reasonable to believe that, if production of each commodity came to be consolidated in one company, the competition of the several groups for the patronage of the purchasing public would be as intense and as effective an influence toward moderate prices in every line as any imaginable competition between rival producers of the same kind of articles.

The opinion has been generally accepted by writers, legislators, and judges that the railway business is singularly noncompetitive.

[1] *Editor's Note*: Tarbell, Ida M., *History of the Standard Oil Company*, one of the sensational treatises in the "muckraking" movement of the early 1900's.

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With all deference, I believe that competition is in that field singularly powerful. All students of railways do indeed recognize the influence of railway competition, not merely in the simple and obvious effort of adjacent lines to take business from each other, but in the case of lines far apart. Whenever two railways, however remote, carry products from competing producers, those lines of rail are competitors. Thus the railways of British India and the railways from wheat fields of Dakota to the port of New York are competitors in carrying wheat for the Liverpool market. The same process is more evident within the country; for example, the shoe manufacturers in St. Louis and the railways which serve them compete for the market of the south (Georgia, Alabama, Tennessee) with the New England shoe factories and railways.

This fact can hardly be stated with too broad an application. Practically all articles carried by American railways enter into a world-wide market where farmers, manufacturers, miners, and carriers of all regions and all nations compete. A combination to put an end to competition must therefore be world-wide; there is no such combination. The corner grocery is not more clearly competitive than the railway, even though the competition process is not identical in the two cases.

Monopolies of Many Parts

An observation of the industrial organizations which this course of development has created brings everywhere to view the universal prevalence of competition which the growing fluidity of industrial agencies and instrumentalities would lead one to anticipate. To find evidence that competition survives and increases, one need only examine the rather abundant publications, official and unofficial, which have been designed to show that competition has been "crushed." One might, for example, reasonably expect that a work like the Federal Trade Commission's report on the Meat Industry, recommending (and in fact leading to) drastic legislation for the remedy of monopoly, would exhibit something which might possibly be called "monopoly" by a rational person within reach of a dictionary. The commission received replies to its inquiries from 225 slaughtering interests engaged in interstate trade, besides 1,132 wholesale slaughterers doing business within their respective states — in addition to the purely retail slaughterers scattered nearly everywhere over the country. *That* is "monopoly." Likewise, the report of the Senate subcommittee

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in 1923 on the "High Cost of Gasoline and Other Petroleum Products" mentions (in addition to the seventeen companies with their thirty-eight refineries of the Standard group) a further list of twenty-eight independent companies operating fifty-seven refineries, and (yet further) a number, not specified, of small refineries. That state of things can be classified as "monopoly" only by a use of the word (unhappily the prevailing use) so indefinite as to have no real significance. These publications not only show a multitude of competitors, but they fail to show (even when in general terms they allege) the high profits which the word monopoly implies.

The Meat Industry

In the meat industry during the prewar years 1910-13, Armour's profits ranged from 3.4 per cent to 9.3 per cent; Swift's, 7.4 to 9.6; Morris's, 4.1 to 7; Cudahy's 2.4 to 8; Wilson's, so far as reported, were 6.5 per cent. The reader is invited to decide for himself whether there is evidence in these figures of monopolistic extortion which the Federal Trade Commission represents (I am not exaggerating) as a peril of the first magnitude not only to the people of the United States but to the entire human race.

In the war years profits increased, as appears in the following table showing the percentage of gain for the monopolists and for sixty-five competitors of the monopolists.

	Big Five (average)	65 "Independent" Companies (average)
1914	8.3	12.6
1915	12.8	13.1
1916	18.5	22.1
3-yr. average	13.5	16.3

Why become a monopolist, when it is more profitable to be an "independent"?

In 1921 the Big Five endured a general loss; Armour's deficit was reported at $31,000,000; Wilson's at $8,462,000 – five or six times the total profits of the Wilson Company for the year 1920. The Wilson organization is now (August 1924) in the hands of receivers, and a suit to have the company declared bankrupt has been brought by creditors who, departing from the complaint of the Commission that the company has the consumer's purse at its mercy, allege that it cannot extort enough of the consumer's wealth to pay its debts.

According to the brief of the government in the suit to dissolve the Standard Oil Company, that organization in 1906 earned 24.6 per cent on its invested capital,

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about the same rate for the preceding ten years, and 20 per cent in the yet earlier period as far back as 1882. . . .

If we consider the circumstances of that time, the continued growth in demand for petroleum products, especially with added impetus of the war, one need not be surprised at earnings of such a per cent on investment for one of the chief beneficiaries of that demand. . . .

The Railway Story

Among all lines of business, railways have in most countries been selected as a subject of exceptional control as having a singular power to exact from the public excessive payments. An examination of the financial history of railways in all parts of the world seems rather to indicate that there is in the railway business a singular inability to obtain for that service earnings equal to those frequently realized by other investments. This characteristic disability has been so clearly recognized that capitalists have, in many countries, refused to invest in what, by the monopoly-and-extortion theory, should be an opportunity to make easy money; so that governments have found it necessary to attract capital to this line of business by subventions and guaranties of interest – not only in new countries as those of Latin America, but in Belgium, Prussia, Switzerland, Italy, and France, where population is dense and traffic heavy, seemingly fit subjects for the profiteer.

In the South American supplement to the *London Times* of September 27, 1910, it was said that the São Paulo Railway in Brazil was the most prosperous railway in South America "if not in the world." This marvel of a railway, carrying about half the world's coffee, was paying dividends of 14 per cent. What other industry is there in which such a return on investment would be regarded as very exceptional or even a maximum?

The Prussian state railways have been regarded as among the most successful – perhaps the most successful – of European railways. In the four years 1910-13 their yield in excess of operating revenue over operating expenses ranged from a maximum of 7.20 per cent on the investment to a minimum of 6.39 per cent. After deducting from this miscellaneous railway expenditures and interest on the railway debt there remained as a surplus for the public treasury 1.9 per cent (taking the four years together) on the capital invested. The French lines were well planned to avoid paralleling or wasteful construction, yet up to the end of 1908 the government

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had spent in aid of private roads $785,000,000. At the end of 1913, the purchase by the State of the Western Railway system, which according to the official promise was to cost the public nothing, "had already cost the taxpayers 944,000,000 francs," while according to the latest official figures the deficit on the state railways amounted to 345,000,000 francs (*London Economist,* January 3, 1914, p. 24). . . .

Is Profitability the Key?

As the Lilliputians bound the sleeping Gulliver to the earth, with cords from ankle to queue, so public authority multiplies statutes and ordinances to restrain the too powerful giant, while many of the same statesmen, with a double load of anxiety, imperil their budgets in providing sustenance to save the same giant from dying of malnutrition. If the railway is "affected with a public interest" because of an inherent tendency to monopoly and too great gains, one is justified in looking for more frequent instances of railways earning at least enough to make them independent of public charity.

It is ordinarily futile to consider whether a certain percentage of income on investment is normal, as no one can define a normal rate. In the instances before us profits have in no case been greater than those known to any person at all acquainted with such matters as not infrequently accruing to successful companies. I can recall corporations engaged in business, unmistakably competitive, yielding 30, 60, or even 100 per cent. It seems fairly safe to say that – using indefinite terms with proper interpretation – wherever a man or a group has rapidly gained what would be regarded as "a fortune" out of scant capital, the annual profits have been more than 25 per cent of assets. Mr. Roberts, of the National City Bank, in discussing the subject, refers to Senator Capper who began with invested savings and now owns "two daily papers, six weeklies, three semimonthlies, and two monthlies, several of them of wide circulation and large earnings, with aggregate valuation of millions." Mr. Kresge is still well under sixty and had engaged in various employments before beginning with $8,000 his business which in 1923 yielded profits of $9,493,988.

The lines of business activity whose earnings the public seeks to limit are not these or the activity of the automobile millionaires, but the beef business with its humble earnings of 3.10 or 13 per cent offset by some huge deficits, the oil business with 25 per cent as an ordinary return,

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and the railway business which is so constituted as to be, in most of the world, a starveling. Of 10,000 corporations in the United States, with total earnings at an average for the three years 1911-12-13 of more than a half-billion dollars, there were 2,571, each of which averaged for the three years from 20 per cent to 100 per cent or more. It would be easy to add much statistical evidence that the Standard Oil earnings, if about 25 per cent, were not very exceptional.

The popular belief as to monopoly is open to objection for other reasons less obvious but quite as convincing as any to be found in tables of investment and earnings; it implies a false conception of economic society, of the economic interdependence of men, and even in some fashion of man's place in the universe.

About eighty years ago there came to full recognition the idea that as matter has the measurable qualities of weight and extension, so the forces of inorganic nature – as heat, light, and motion – are measurable and indestructible; that when one form of force is converted into another, the cause is equal to the effect. The same principle seems applicable (with great caution and modification) to social forces. This at least is intelligible and obvious: that in the processes of economic life forces may in some instances be measured against each other, and those clearly small by comparison cannot prevail over those clearly greater. This fact is very commonly disregarded. The Elgin Butter Board case is an example.

A "Corner" on Rice

Here is another: the Federal Trade Commission, in its report on the Meat Industry, alleges that the Big Packers are engaged in a conspiracy, not merely to plunder users of meat, but, since they deal in other foods (dairy products, poultry and eggs, groceries) and since these operations extend to other countries (I quote the Commission's italics from Pt. I, p. 68), *"to monopolize and divide among the several interests the distribution of the food supply not only of the United States but of all countries which produce a food surplus, and as a result of this monopolistic position . . . to extort excessive profits from the people not only of the United States but of a large part of the world."* They ring the changes on this idea of monopoly and conspiracy. Fortunately, they give a definite measure of the extent to which the five meat companies have advanced toward holding the human race in their power by threat of starvation. I quote: "Armour's drive into the rice market in a single year is perhaps the

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most striking instance of the potentialities in this direction." The Commission might have added, but did not, that 16,000,000 pounds of rice is about 2/3 of one per cent of the rice crop of the United States, about 1/750 of the international rice trade. But not all the rice was held at one time; the effect on prices must have been distributed. Moreover, what was bought was also sold, and selling must tend to depress prices as much as holding raises them. In the estimation of the Commission, however, this transaction had a prodigious effect. At any rate they solemnly call attention at this point to a 65 per cent rise in the price of rice during the year in question (1917). In the seclusion of their offices the Commission had not heard that tillers of the soil by millions over almost half of the earth had been forced to abandon their fields and that most of the great nations of Europe and America were competing for the world's diminished stores of food with all the resources of all their treasuries, driven by the frenzy of hate and terror which is war; that in the merchant fleets of all nations, on the railways, the carts of Indian highways, the backs of men over trails on Chinese mountains, the staple foods were being drawn to the camps with a suction as irresistible as that which draws the waters of the Great Lakes over the precipice of Niagara. (There were people in Paris in 1793 who did not know that the monarchy had been overthrown.) The Commission had not even heard that the prices of most other commodities had risen.

The power of competition in the livestock and meat business is evident in any ordinary report of dealings in a livestock market, notwithstanding the perpetual assertion that the "Big Five" fix prices to the destruction of the cattle raisers. When receipts of livestock increase, prices go down; when receipts decline, prices go up. Prices have in turn an effect on receipts: high prices increase, low prices decrease shipments.

Market Forces Are World-wide

I take one such report at random – the *Weekly Livestock Review* of the U.S. Department of Agriculture for the week ending April 7, 1923. "Cattle receipts increased during the week as a result of price advances during the previous week. On the initial day, however, when over 23,000 cattle were offered, much of the previous week's advance was lost, but during the latter days of the week receipts were moderate, demand fairly active, and daily price gains were made on all fat steers. . . . With a decrease of approximately 23,000 hogs for the week, trade was stimu-

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lated somewhat and all grades advanced 10 cents to 15 cents. In the face of liberal receipts, coupled with a slackened demand after Easter, fat lambs slumped for the week with the bulk of offerings declining 25 cents to 40 cents." This is typical of such reports.

On reflection it must clearly appear that the forces which center in any market for cattle or hogs are world-wide. The competing buyers of cattle in the United States are numbered, as the Trade Commission shows, by hundreds and thousands, while beyond our borders is the competition of yet more numerous thousands of purchasers throughout the whole list of nationalities on all continents. An attempt at lowering prices by holding off from the market would give great joy to the numerous purchasers for export who are always present, comparing the possibilities of purchase here with possibilities of sale in the countless markets beyond seas. In Argentina alone there are half as many cattle as in the United States; in Australia there are one-third as many; in Germany before the war two-thirds as many; and so in France, England, and other countries of Europe and Asia. The number of cattle offered, the prices at which they are offered, the prices which consumers here or elsewhere will pay — all these factors have a fixity which no little group in Chicago or elsewhere can disregard.

International Trade

In the days before the Great War, when the peasants of Russia had a good crop they bought Chinese tea, the Chinese demand for English cotton goods increased, and the English factory worker bought more beef. Rains on the Argentine pampas would lower the price of beef; a burst of flame on the surface of the sun scorching the pastures of Australia would raise the price. The economic interests and activities of all peoples, of all individuals in all nations, are so intertwined, the production, sale, and consumption of all commodities are so interrelated, that we may regard the whole process of supplying the economic needs of all mankind within the range of the world's trade as one great composite process, one complex of infinitely manifold efforts conditioned in part by factors directly human, but also conditioned by all the biological and physical factors which determine the economic fortunes of men. If the top price of steers on a certain day in Chicago is $9.45 per hundred, that is not a phenomenon of Chicago; it is a cosmic fact. A little fish cannot stop a man-of-war.

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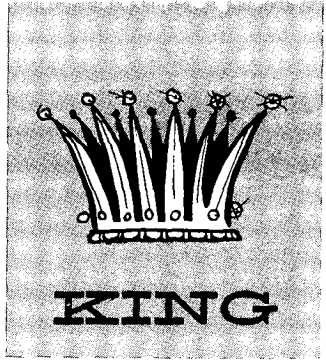

IF I WERE KING

SAMUEL B. PETTENGILL

A great author once wrote a story: "If I Were King." I suppose every decent-minded person wishes, at times, that he were a king, not to feed his vanity with the trappings of thrones, but to use his power to benefit his fellow men.

If two choices were offered me, and one was to be the richest man in the world so I could turn my vast estates into public parks (as Caesar did in his last will in Shakespeare's play) or endow churches or colleges, or finance laboratories to seek the cure for some dread plague, I would turn this down if the other choice granted me were the power to get all of my fellow Americans to truly understand the priceless heritage they have in the American Constitution.

I say this soberly and after years of reflection. If this were in my power to do, I know my name would go down in history as a greater benefactor than any, and perhaps all, of the rich men who have ever endowed great charities. Such an understanding would enable common men everywhere to build their own fortunes. It would lead to a country invincible abroad and happy at home.

Only one thing would I value more, that being my own understanding and ability to teach the laws of God for men, individually and socially. Part of these laws are, indeed, in the Constitution.

The Bible and the Constitution! "And the floods came and the winds blew and beat upon that house and it fell not, for it was founded upon a rock." The storm-tossed Stars and Stripes is, with one possible exception, the oldest flag that streams anywhere against the wind. It flies over the only undefeated great nation in the entire history of the world.

The American people do have a deep reverence for the Constitution in the same way as they re-

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vere the memory of brave but unknown men who long ago died for freedom at Valley Forge or the Alamo.

It has, however, been a long time since Madison, Hamilton, and Jay wrote the Federalist Papers to explain every word and sentence in the Constitution; a long time since the Fourth of July meant much to American youth, beside the noise of firecrackers.

We need new Madisons, new Websters, new Calhouns. We need a new Benjamin Hill who, in the post-bellum days of the Old South, said, "The Constitution is my only client, and its preservation is the only fee I ask."

Recognizing, as Jefferson did, that "laws and institutions must go hand in hand with the progress of the human mind," I still believe, as our fathers hoped, that the basic truths of the Constitution constituted "a new order for the ages"; or as in the Latin words, "Novus ordo seclorum," which they inscribed on America's Great Seal, as you will see it pictured on the back of the dollar bill in your pocket. It was intended to be "for the ages." I believe most of the social and political ills of our time, including depressions and unemployment, are due to the fact that we have veered from the course our fathers charted.

The cavernous bureaus of government today are spinning intricate and sticky spider webs of countless laws, rules, and regulations which entangle the bees from the human hive; the taxes they levy for their support discourage thrift and growth, and in addition, the favors of government have become a vast prize immorally fought for by huge pressure groups which are carrying on a fierce civil war of mutual exploitation.

The Fundamental Fallacy

This is a far cry from the free government our fathers designed where young men might climb the ladder to success by their own efforts, where ambition had its open field, and honest work its earned reward.

I will never believe that millions of men will work as hard to support the wives and children of unknown men in other towns, cities, and states, as they will to build a rooftree for their own wives and for their children. (This is the fundamental fallacy of socialism.) We have not yet reached that point, but when the federal government takes away in taxes from 20 per cent to 50 or 90 per cent of what a man earns and gives it to the support of people he never saw, we are fast approaching a stagnant and discouraged America.

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Our fathers faced the great issue of individualism vs. collectivism. They designed the Constitution to safeguard the individual. The State was to serve him and give him his chance; it was not to make him serve it and deprive him of his chance. They did not intend men to make their livings like robber bands, preying upon each other with the ballot as their weapon of pillage. They intended, as God said to men in Genesis, "in the sweat of thy face shalt thou eat bread."

"I am not," said Jefferson, "the friend of an energetic government. It is bound to become oppressive." It has become so.

Due to popular ignorance of the true meaning and worth of the Constitution, which enshrined the individual and the family at the hearthstone as the very handiwork of the Creator, the materialism of a godless communism is eating its way, like termites in the timbers of a house, into every nook and corner of the American edifice.

The Failure Is Ours

It is not the Constitution which has failed us; we have failed it. We have been the unfaithful stewards of the trust our fathers, dying, committed to our care.

With the actual record of great achievement under the Constitution in releasing the energies of free men in the greatest march of progress in the history of mankind, it is amazing indeed that so many Americans in their ignorance are embracing the reactionary philosophies of the Europe our forefathers thought they had left behind them forever, and whose governments now build barbed wire stockades at their frontiers to prevent the escape of desperate men seeking freedom from their cruelties.

Yes, if it were in my power, I would call back from their graves the brooding spirits of Washington, Franklin, Madison, and Jefferson, I would:

> Wake the dead,
> Bid the old heroes rise from their graves and scourge with their tongues
> Until this vain and rotting age, revitalized, shall rush
> To emulate their deeds, or learn to blush.

I would try, too, "if I were king," to wake the teachers, pastors, editors, lawyers, and the youth of today, so that Americans yet unborn may proudly say, "Freedom has still a continent to dwell on." ◆

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THE INNER WORLD OF MAN

It won't help much to arm militarily if we permit ourselves to be intellectually and morally disarmed.

EDMUND A. OPITZ

THE MODERN WORLD is coming unglued! The traditional ties that have held people together in families and societies are weakened; the loyalties which once produced such a variety of voluntary associations and groups lose their attractive and cohesive powers. The distintegrative forces now at work on us are reflected in the literature of alienation and estrangement; they are manifested, above all, in the enormous growth of the powers and functions of central governments in every country of the world. The increasing political direction of our lives introduces coercive relationships among people where the former attachments between persons were voluntary. Such are the symptoms of that spiritual malaise which constitutes the core of the problem to which Dr. Franz E. Winkler, a medical man, addresses himself in his *Man: the Bridge Between Two Worlds* (Harper & Bros., 268 pp. $5.00).

There are two kinds of knowledge, Dr. Winkler argues, intellectual and intuitive. The former is analytical and critical; it takes something apart in its effort to understand the thing in terms of its elements. The latter is synthesizing and creative, seeking to understand a thing in terms of the whole of which it is a constituent part. Intellectual knowledge is knowledge about something; intuitive knowledge is immediate awareness.

Many languages have separate words to denote these two kinds of

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knowing. Goethe, whom Winkler greatly admires, used *Verstand* and *Vernunft;* but English does not distinguish between the several ways of knowing. Our difficulty may be illustrated by a crude example. "Do you know how to swim?" we ask. "Sure," is the reply, "you just kick your feet and paddle with your hands." "But *can* you swim," we continue. "Oh, no," comes the answer. Doing is one mode of knowing which is different from intellectual knowledge; intuition is yet another mode.

Dr. Winkler's more elegant illustration concerns a watch found by a man from Mars. He takes it apart and discovers wheels, springs, gears, and so on. Analyzing these items further, he breaks them down into their chemical elements which are then further reduced to positive and negative electrical charges – at which point the visitor from outer space may feel that he understands the watch. But we, who know the purpose of a watch, that it is a device for telling time, have to try to explain to the Martian that, although his knowledge about watches may not be without value, nevertheless, it is not the most relevant set of facts to know about watches.

Modern man's predicament is similar to that of the Martian; he has developed the analytical and critical sides of his nature but neglected the intuitive and the creative. The result is that, although his sciences are in good shape, his philosophy of science, his religion, and his art are in a mess. There is no inevitability about this result; a regrouping of forces is possible, even now. "We must not believe that modern man has lost the gift of intuition," writes Dr. Winkler. "It is rather that his interest has become so exclusively focused on the outer world, his mental activities so completely occupied with analytical thinking, that he has lost the full appreciation of inner experience. Thus he neglects one of the indispensable elements of his psyche, which must be rebuilt by an acceptable world of intangible truth."

In short, there is an imbalance in man, which causes inner dislocations and strains in individuals. The inner distress is then projected onto our societies and translated into a need for social reform or revolution. Because half-men can know only half-truths we moderns read our current distresses solely in terms of social diagnosis for which we all too readily agree to accept a political remedy.

There is no disparagement of the intellect in this book; the author exhibits fine critical and analytical powers himself as he probes religion, art, mythology,

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and contemporary science to show the role which has been and may be played by the intuitive side of man's nature. It is "the polarity between analysis and intuition," writes Dr. Winkler, that "gives man his freedom." But this freedom is given up or lost because of "the growing inability of modern man to master his subconscious impulses. . . . There is an inner world accessible to man through nonphysical perception as there is an outer world manifesting itself to his physical sense organs."

Dr. Winkler's stress on the urgent necessity for bringing the inner and intuitive sides of man's nature up to the level of development of his critical faculties may sound like a call for a return to religion. In a sense it is just that, for genuine religion has always concerned itself with restoring balance and composition to the picture man entertains of himself by helping him discover new meanings able to assimilate every advance in fact-finding. The seers, the saints, and the religious geniuses possess a clarity and depth of inner vision far surpassing that of the average man. They explore and map what is for the rest of us the dark inner continent of the soul. During periods of history when the critical faculties of average people had not been developed at the expense of their intuitive faculties, "relatively great numbers of people were able to confirm the important experiences of religious leaders by lesser experiences of their own. . . . Yet the change in human consciousness took its course. Immediate knowledge of God turned into creed, and creed into a code of morals. But codes, even the most venerable ones, cannot meet the longings in the human soul. So it was that mysticism, turning earthward, ultimately came to worship at the altars of Trotsky and Lenin."

But man is so constructed that he cannot find fulfillment in any earthbound or materialistic creed. Spiritual religion needs a spiritual object which, in the nature of the case, can only be intuitively apprehended. "Christianity itself cannot be comprehended unless the state of consciousness into which it was born is experienced." This seems to be the crux of the matter. Argument and analysis may bring one to the point of admitting the need for a new frame of mind, a new mood. The next step is to train oneself to acquire these. Such a training exists, and although the volume under review is not a handbook, the last chapter describes it.

This immensely stimulating book does not, of course, have all the answers, but it does raise a lot of the right questions. ◆

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Sold Out to the Future

SOME PEOPLE look to their own consciences, their own ideas of right and wrong, before reaching decisions that govern their behavior about the future; others, in this secular age, make a god of "history" – the history of the future – and refer their decisions to its oracles. In the age of the "other-directed," or the "outer-directed," man, it is the latter group that gets the credit for common sense. Why, so this group asks, why kick against the pricks, why go down with the romantic "lost cause," why secede from the life of one's times, why fight against the wave of the future? "Leadership," in the minds of those who pose such rhetorical questions, consists of being just a little bit ahead of the other fellow in "cooperating with the inevitable."

The basic flaw in making "history" – the history of the future – into a god to whom decisions may be referred is that it assumes the attributes of the godhead can be known before they have revealed themselves. But everybody knows, as a matter of common sense, that nobody can predict what will happen five or ten years hence. If the future is "inevitable" – as indeed it is after it has become the present – the individual is still faced with the necessity of outguessing it. If the individual is a man, if he has any confidence in the desires and imperatives of his own being, he will – "inevitably" – try to fashion the god of history in his own image. All of which leaves the human being right where he has always been: he is himself the potential creator of a small ripple of force. In his own small way he has a chance of becoming part of the historical god he is prepared to worship. To the extent that he insists on favoring the active as against the passive mood, the individual can hope to affect history. God, in this sense, is the sum total of our individual urges.

Assuming, purely for the sake of argument, that one can, like a spider, spin god out of one's own entrails, my own individual deistic "urge" tells me that Robert L.

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Heilbroner's *The Future as History* (Harper, 217 pp., $4.00) is a poor guess as to the nature of the historical godhead. The book talks portentously about the forces of science, technology, and popular aspirations to democracy and well-being among the have-not populations in the old colonial regions of the East and the tropical South. It assumes that the god of the historical future has frowned on capitalism; it assumes that central planning of national economies is the "condition" which all big enterprises must accept if they wish to avoid outright "nationalization" by government.

Socialism Presumed

If collectivism is Heilbroner's wish for the historical godhead, it makes sense for him to construct his own particular object of worship out of his own socialistic extrapolations of certain currently observable trends. This is Heilbroner's way of trying to set his own seal on events. But to make his extrapolations stick, Heilbroner has to fall back on his own version of the mature economy theory. He has to assume that investment – the motor force making for continued growth in capitalism – must at some point fail beyond the hope of renewal.

Since the future has not happened as yet, I cannot prove that Heilbroner's assumption is wrong. But I do know this: that every time the prophets have assumed that private investment in new capital goods has come to a dead end, those prophets have been proved fallacious. The "god" of history has always abandoned them.

John Stuart Mill, for example, once scratched his head in perplexity when he tried to envision a new "ladder" industry taking over after investment in textile machinery had run out. Since his crystal ball yielded him no premonitions of such things as automobiles, airplanes, and tractors, Mill was pessimistic about the motive power of capitalism a full century ago.

In the nineteen thirties in America, Rexford Tugwell surmised that our capital plant had assumed a more or less permanent form, and that henceforward our problem would be to distribute its "plenty" not only among those who were employed by it but also among those who had been disemployed by failure in the capital goods industries. If the god of history had taken Tugwell at his word, the world of electronics and automation would never have come into existence.

The discrediting of Tugwell as a prophet came some eighty years after the discrediting of Mill,

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which ought to serve as a warning to those who think the inventive capacities of the human animal must eventually exhaust themselves. But Heilbroner refuses to heed the warning that is implicit in every variant action by every try-and-see individual who thinks he can improve on what is going on around him.

Simply because our military budget absorbs a hefty proportion of our taxes, Heilbroner assumes that government purchases are a necessary means of insuring full employment. Like Stuart Chase, he is worried about the economic impact of a possible agreement with Soviet Russia to stop producing expensive missiles, and he is full of "compensatory" schemes for redesigning our cities and remaking our river valleys.

An Affluent Fantasy

It does not occur to Mr. Heilbroner that if the average American family could keep some of the money it is now surrendering to the Department of Internal Revenue, the landscape might brighten without any "compensatory" government action. Far from having the "affluence" which Professor Galbraith attributes to them, most Americans at present are practicing an austerity that is tempered only by the willingness of consumer finance companies to extend credit for certain long-term purchases. I don't know a soul that wouldn't paint his house or get rid of an antique car or send a son or daughter to a better school or take a more expensive vacation or move into a new neighborhood or try out a new hobby, if he or she could afford it.

Indeed, the canard that we are so choked with riches that Madison Avenue must whip us into buying is so obviously fallacious that one wonders where people like Galbraith and Heilbroner have mislaid their eyes. The truth is that our dollars must be stretched over such big distances that Madison Avenue is collectively at its wit's end to capture enough of them to keep up its own notions of the affluent life. While Detroit motor manufacturers fondly imagine that their chosen advertising agencies are selling the doctrine of "dynamic obsolescence" to the car buying public, the actual flesh-and-blood car owner keeps Detroit on an austere replacement ration of six million new automobiles a year. With sixty million cars on the road, this means that a car is not "obsolescent" until it has reached the tenth year of its life. There is nothing very "dynamic" about that. And there won't be any improvement in the situation until government stops taxing people into buying the smaller, cheaper, and

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more perdurable "compact" vehicles that are demanded by the austerity standards of the cold war epoch.

Far from producing a depression, the end of military buying by the U.S. government might touch off a boom of incredible duration, once the transition to a true peace basis has been made. Indeed, while the U.S. and Soviet Russia have been putting their money into armaments, western Europe has been booming precisely because it has not been diverting its income into bigger and better missiles. Heilbroner refuses to draw any relevant deduction from this extremely obvious fact.

In addition to his fears that capitalism must founder on the investment problem, Heilbroner also worries over the possibility that the have-not nations will gang up on the haves if the West refuses to underwrite bigger and better socialistic Five Year Plans from the Ganges to the Congo. My own reading of "the future as history" tells me that unless the citizens of Soviet Russia and Red China can escape from their present institutional masters, they are due to experience bigger and better famines. Moreover, if India and the Congolese bind themselves to "the future as socialism," they, too, will have bigger and better failures. Just how this will endow them with the strength to gang up on the West defies all logic.

If Mr. Heilbroner proves right about the possibility that the West may be on its last legs, it will be because we ourselves have gone over to the "planning" philosophy. By making ourselves slaves to government, we of the West will become have-not powers, too. And in a contest between have-nots, the more fecund Indians and Congolese might indeed take over. ◆

MAN IN MODERN FICTION

By Edmund Fuller (New York: Random House, 165 pp., $3.50)

Reviewed by Robert Thornton

SOME THIRTY YEARS AGO Albert Jay Nock wrote an essay entitled *On Making Low People Interesting.* Referring to the characters of contemporary fiction he observed: "They were all so colorless, in fact, so unsubstantial for literary purposes, that the authors had to be continually helping them out, finding something for them to do, creating one striking situation after another, to keep them going." The "something for them to do," then as now, usually involved sex or mayhem. Mr. Nock's complaint was not that authors dealt with low people — "a great asset to an artist" — but that there was "no vestige of the art that creates a character interesting in itself, irrespective of plot and ro-

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mantic action, powerfully stimulating the reader's fancy and imagination. . . ."

I was put in mind of this fine essay while reading Edmund Fuller's piece of criticism. The characters in recent novels are not only uninteresting, charges Mr. Fuller, they barely qualify as human beings! In the "terrible spate of novels now current man is seen specifically and insistently as an ironic biological accident, inadequate, aimless, meaningless, isolated, inherently evil, thwarted, self-corrupting, morally answerable to no one, clasped in the vise of determinisms economic or biological. His uniqueness as a person is denied or suppressed. He inhabits a hostile universe which is the creation of irrational and possibly malignant forces. The themes of these novels, to borrow some words from Lewis Carroll, are *ambition, distraction, uglification,* and *derision.* Unlike the great tradition of man as individual, responsible, guilty, but redeemable, this despairing disillusionment sees man as collective, irresponsible, morally neuter, and beyond help." As one might surmise from this rather lengthy quotation, Mr. Fuller writes with style. He rather puts one in mind of H. L. Mencken who never leaves his meaning in doubt.

Mr. Fuller has crammed too much into his pages to permit the use of quotations to sum up his points — it would be necessary to quote the entire book! — but let me mention two things:

First, Mr. Fuller's bold declaration of a belief in God which comes as profound pleasure in this day when so many authors practically apologize for any mention, however slight, of their religious convictions.

Second, the nature of his remedy. After reading Mr. Fuller's strong criticisms of the filth and brutality so common in modern fiction, one expects to encounter a demand for censorship by some public agency. Nearly everyone, these days, screams for the State with its bag of cures whatever the complaint! But not Mr. Fuller, who comes out strongly *against* government censorship. He understands that legal sanctions are no substitute for the sanctions of taste and manners, and the application of literary standards. He realizes that if government is allowed to regulate the actions of a particular group because some of the members of that group behave badly, the good members will suffer the most. Censorship is needed, says Mr. Fuller, but censorship that is self-imposed; censorship by writers, reviewers, critics, and publishers themselves, not by bureaucrats.

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▸ WESTWARD EXPANSION: A History of the American Frontier By Ray Allen Billington (MacMillan Co., 758 pp., $8.00)

Reviewed by Lawrence Sullivan

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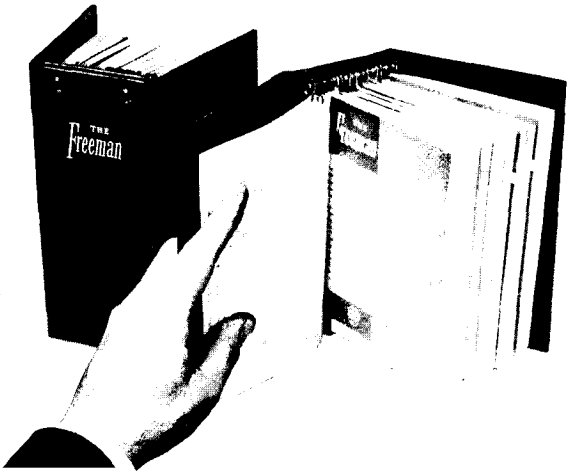

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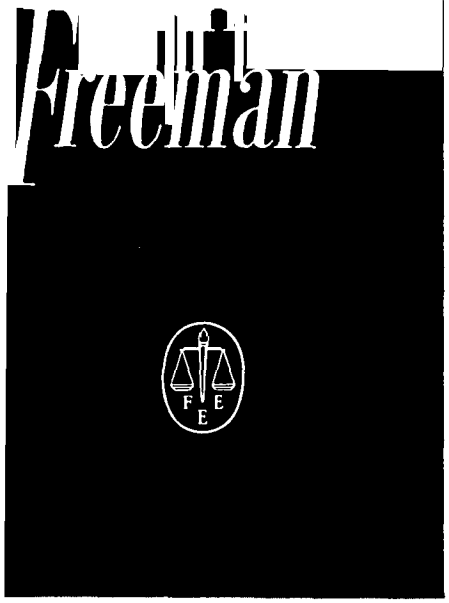

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A selection from "The Law," 1850. Translated by Dean Russell. Irvington-on-Hudson, N.Y.:—Foundation for Economic Education. 76 pp. 65¢ paper-bound, $1.25 clothbound.

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